

FOREIGN AFFAIRS

AN AMERICAN QUARTERLY REVIEW



APRIL, 1932

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The Editors.

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MANCHURIA, THE LEAGUE, AND THE UNITED STATES

By A. Lawrence Lowell

DETAILS of the events that occurred in the Far East last autumn are not always clear, because the accounts given by the two parties to the conflict do not always agree. Nevertheless, in their main outlines they are sufficiently plain for an understanding of their character and significance.

The war between China and Japan was brought to a close by the Treaty of Shimonoseki on April 17, 1895. China acknowledged the independence of Korea, which Japan rapidly brought under her domination and fifteen years later annexed. By the treaty China further ceded Formosa, the Pescadores, and the southern part of the Manchurian peninsula of Liaotung; but a collective intervention of France, Germany and Russia forced Japan to restore this last. Smarting from her defeat, and anxious for protection, China in 1896 made a defensive alliance with Russia and authorized the building and use by that Power of the Chinese Eastern Railway. Two years later she gave to Russia a lease for twenty-five years of the Liaotung peninsula, and the right to build a railway thereto through southern Manchuria. At about the same time, Germany obtained a ninety-nine year lease of Kiaochow, and Great Britain one of Weihaiwei so long as Russia held Port Arthur at the southern end of the Liaotung peninsula.

After the Boxer troubles in 1900, Japan believed that Russia regarded herself as having acquired complete ownership in the Manchurian territory leased to her, a belief that led to the Russo-Japanese War and Russia's signal defeat. By the Treaty of Portsmouth, which ended the war in 1905, Russia ceded to Japan her lease of the peninsula and her railway rights south of Changchun.

The treaty also ceded to Japan rights in territorial waters, harbor works, mines, and other property; but except as thus stated, the treaty recognized the sovereignty of China and her right to develop Manchuria. Now the provisions affecting China were subject to her consent, which she gave by the Treaty of Peking on December 22, 1905, with a provision that Japan was to conform to the agreements made with Russia about leases and railway construction "so far as circumstances permit." There were various supplementary provisions about opening cities for international residence, and, on the part of Japan, of withdrawing her railway guards — if Russia did the same on the Chinese Eastern Railway — when China should be able to afford full protection to the lives and property of foreigners; and there were agreements about the regulation of sundry affairs of mutual interest.

So the matter stood for ten years, when Japan made her famous twenty-one demands on China, which, under pressure from the United States, were somewhat modified, but took shape in the treaties of May 1915. These recognized Japan's position in Manchuria as naturally predominant, and extended the lease of the Liaotung peninsula to 1997, that of the South Manchuria Railway to 2002, and of the Antung-Mukden Railway to 2007; besides revising and enlarging the agreements about loans, mines and land leases. The validity of these treaties China has always contested, on the ground that they were obtained by duress. But this was not all. Japan claimed that by a secret protocol to the Treaty of Peking in 1905 the Chinese engaged, in order to avoid competition, not to build railways parallel to the South Manchuria lines. At the time of this writing no official texts of the protocols have been published (nor any text until 1930), and the Chinese deny that, if ever made, they have any force whatever.

After Japan had acquired the foregoing rights in Manchuria there was a good deal of talk about its being a region into which her people might immigrate and thereby relieve her overflowing population. That has not proved true, probably because of the cold in winter; and the result is that, including the Koreans who are the most numerous there, the whole number of Japanese subjects in Manchuria little exceeds one million, whereas the country has rapidly filled with Chinese who now number about thirty millions. Thus, so far as race is concerned, the people of the country are Chinese and the Japanese foreigners. On the

other hand, the Japanese investments are very large; and, what is of more permanent significance, Manchuria supplies coal, iron and food, which to Japan, overcrowded and lacking in minerals, are of the highest importance. Indeed, in case of war with any considerable maritime nation, these supplies would be almost essential. Therefore the Japanese deem Manchuria vital to themselves, and, since the war with Russia, have been striving to enlarge their interests and control there; while the Chinese, on the other hand, feeling that Manchuria is a part of their country, inhabited overwhelmingly by their people, in which the Japanese have unjustly got a foothold, have been trying to develop the country outside, and in competition with, the railway zone. For this purpose they have built lines, rivals to the South Manchuria, which are said to have reduced its traffic forty percent in the year before the recent outbreak. If the secret protocol is valid, the Chinese have certainly violated it. If the treaty rights claimed by Japan have no validity, then she has been pursuing a course of action that has no justification. Whatever the rights may be, it is obvious that the aims of the two countries were wholly incompatible, and therefore sure to cause friction; and, if their differences could not be settled by peaceful means, a resort to force would become inevitable.

In case of an armed conflict between the two countries in Manchuria the chances were highly favorable to Japan. Her troops were equipped and trained with all the latest efficiency, and she had a powerful navy; while China had no fleet at all, and although the number of her soldiers purported to be enormous, and even in Manchuria many times larger than any force Japan was likely to put there, they were clearly ineffective against Japanese troops. Moreover, the only road between China and Manchuria over which troops could pass, or their lines of communication be maintained, lay within the range of the Japanese warships at Shanhaikwan between the mountains and the sea. It may be added that the control of the Chinese Republic over the government of Manchuria has always been very uncertain, and last year even the local strength of the government at Nanking was precarious. To complete the picture, we must remember that both Japan and China were members of the League of Nations and represented on the Council; that Japan was a party to the Nine Power Treaty for preserving the integrity of China, and of the Briand-Kellogg Pact for the prevention of war; but

that last September all nations were unusually straitened and hampered by the world-wide economic depression.

II

Such was the situation when on June 27 last a Japanese captain, Nakamura, was murdered in Manchuria. This was by no means a solitary instance of race hostility, but it was the kind that often sets a match to the powder magazine. The explosion came on September 18. According to the Japanese account, about half past ten that evening Chinese soldiers and brigands destroyed a part of the track of the South Manchuria Railway and fired upon the guards. The injury could not have been very great, for the trains were soon running again; but the Japanese acted quickly and systematically. By about six o'clock the next morning their troops attacked Mukden, and, there being no serious resistance, soon occupied the city. In twenty-four hours they had occupied every important place within the region where their chief interests lay, a country roughly as large as New York or Pennsylvania; turned out the local governments, and began quickly to replace them by Chinese under Japanese supervision. It was a very effective piece of work, amazingly so if unpremeditated.

It so happened that the League of Nations was in session, and immediately on the receipt in Europe of the news, on the afternoon of September 19, Mr. Yoshizawa, the Japanese member, informed the Council that a collision had occurred between the Japanese and Chinese troops near Mukden. There were known as yet, he said, few details, but the Japanese Government had taken measures to prevent this local incident from leading to undesirable complications. He added that he had asked his government for information. Mr. Sze, the Chinese representative, was greatly disturbed, and feared very serious consequences. The President of the Council (M. Lerroux, of Spain) said that it had heard with satisfaction that the Japanese Government would take measures to deal with the situation.

At the next meeting, on September 22, Mr. Sze gave a full account of the affair and said that it might be necessary to apply other Articles of the Covenant beyond No. XI. Mr. Yoshizawa replied that the trouble had arisen from the destruction by Chinese soldiers of part of the railway, and the small body of Japanese troops had to occupy important points to prevent further incidents and protect the railway and the lives of Japanese

citizens. He stated that the Japanese Government had no intention of aggravating the situation or of making war on China, and that it was ready to enter into direct negotiations with the government of China. Mr. Sze said that his government could not enter into direct negotiations with a nation in military occupation of part of its territory, and demanded a return to the *status quo ante*. After further discussion, in which Lord Cecil said that any troops on Chinese territory ought to be withdrawn without delay, the President of the Council asked time to draft a resolution. At the meeting on the afternoon of the same day Mr. Sze asked that the Council order the immediate withdrawal of the Japanese troops outside the railway zone, and that it appoint a commission of inquiry; while the President asked the Council to authorize him, first, to appeal to both countries to refrain from action that might aggravate the situation; second, to endeavor to find means of enabling them to withdraw their troops immediately without danger to the lives and property of their nationals; and, third, to inform the United States. All this the Council unanimously did.

For the last few days Mr. Yoshizawa had been waiting for information from his government. It arrived and was presented to the Council at the meeting on September 25. The telegram stated that Japan had withdrawn the greater part of her forces within the railway zone where they were now concentrated, leaving outside only a few troops as a precautionary measure at Mukden and Kirin and a small number at other points, which did not constitute any military occupation. The forces, it said, were being withdrawn to the fullest extent allowed by the safety of Japanese citizens and the protection of the railway. Mr. Yoshizawa went on to state that Japan intended to withdraw her troops into the railway zone as fast as the situation improved, and he was confident that the Council would trust to her sincerity. The Chinese, on the other hand, declared, as they constantly did, their readiness to assume protection of the Japanese citizens in any areas evacuated by the Japanese troops. The President said that in view of these statements the Council might hope for a satisfactory settlement, and again appealed to Japan to withdraw her troops as rapidly as possible.

The subject came up again on September 28, when Mr. Yoshizawa declared that Japan was determined to continue to withdraw her forces as and when possible without danger to her

nationals, but he did not rely upon China's offer to protect them because she had not always been able to make her voice heard in the provinces. At the same time Mr. Sze asked for information about alleged attacks by aëroplanes.

On September 30 the President said the Council had singled out one object as of immediate and paramount importance, that of the withdrawal of the troops into the railway zone, but that a certain time had clearly to be allowed in order to insure safety of life and property. Both parties, he said, recognized the importance of such withdrawal and both had taken steps to that end. Under these conditions he thought there was no use in continuing discussions at the present time. He then read a draft resolution which — after stating that the Japanese Government had no territorial designs in Manchuria, that the withdrawal of its troops, which had already begun, would be continued as rapidly as safety of life and property would permit, that the Chinese would assume responsibility for Japanese lives and property outside the zone — expressed the conviction that both parties were anxious to avoid any action which might disturb peace and good understanding, requested both parties to hasten the restoration of normal relations and the execution of these undertakings, and concluded by an adjournment to October 14.

This resolution, which was adopted unanimously, is constantly referred to later as an agreement, and so it may well be regarded; but whether all the parties to it had the same ideas in mind is a very different question. The neutral members of the Council, or at least M. Lerroux, its President, seemed to think that the withdrawal of the Japanese troops within the railroad zone and the restoration of Chinese authority in the rest of Manchuria would be peaceably accomplished before long, perhaps wholly before the meeting of the Council a fortnight later. Mr. Sze evidently had grave doubts whether Japan was really withdrawing her military forces, or intended to do so; while the Japanese, as shown by their subsequent description of conditions, saw no security for their nationals beyond the striking power of their arms. They had already stated, and continued to assert, that China could not maintain order in the country; and hence an intention to withdraw when security should be provided signified to them no immediate change of position. Meanwhile, it was clear that the Council was highly unlikely to be specially summoned to meet within the next two weeks, and did not ap-

pear disposed to take vigorous action in this matter at any time; so that Japan had no reason to fear active interference, nor did the identical note to both countries from the United States expressing "its hope that they will cause their military forces to refrain from any further hostilities," seem alarming.

The resolution of September 30 had also requested both countries to furnish the Council with information, and this they certainly did not fail to do. Telegrams came from them at the rate of three a day for circulation among the members of the Council. From China came accounts of movements of Japanese troops, of military occupation of towns and railways, seizures of public property, incitements to independence, and dropping of bombs from airplanes; from Japan came statements about raids by bandits and disbanded soldiers and expeditions to repel them, explanations of how airplanes had been sent to reconnoiter and had dropped bombs only when fired upon, and complaints of the anti-Japanese agitation in China proper, directed, they said, by the Chinese Nationalist Party with the connivance of the government.

During this period M. Lerroux felt conditions to be so serious that he reminded both countries of their engagements to refrain from aggravating the situation, and at China's request summoned the Council a day before the date set. On October 13 he was unable to be present himself, and M. Briand was called to the chair, which he occupied until the end of our story. On the opening day, Mr. Sze appealed earnestly to the League for protection, especially in relation to the dropping of bombs on Chinchow. Mr. Yoshizawa, in reply, gave a history of Japan's claims in Manchuria and the causes for her action on September 18. The President closed the discussion by remarking that he did not believe a dispute of this kind would lead to an irremediable situation.

At this point there was an interlude in the drama. From the outset of the discussion everyone had agreed to coöperation with the United States; and on October 16 a further step was taken by the proposal to ask her delegate to sit with the Council, although of course without a vote. Japan objected that this was substantially a change in the constitution of the Council and required a unanimous vote; but in answer it was urged that whether communications with our government should be made orally or in writing was merely a matter of procedure and

could be decided by a majority. A motion by Japan to refer this question to a committee of experts was lost by 12 votes to 2; and then the motion to send the invitation was carried by 13 votes to 1, Japan alone in the negative. The United States accepted the invitation "to consider with the Council the relationship between the provisions of the Pact of Paris and the present unfortunate situation in Manchuria;" nothing being said about the Nine Power Treaty for the preservation of the integrity of China.

On October 17 six of the governments represented on the Council sent an identical note to China and Japan, calling their attention to the Pact of Paris, and on the 20th the United States sent one of similar tenor. At the meeting on October 22 M. Briand said it was now certain that the dispute was, and would remain to the end, circumscribed within its present limits. He referred again to the fact that Japan was prepared to evacuate the occupied territory as soon as guaranties were received of the safety of her nationals and their property, and that China was prepared to give those guaranties. He then offered a resolution which referred to that of September 30, recalled the undertaking therein of Japan to continue as rapidly as possible her withdrawal of troops in proportion as the safety of her citizens was secured, and that of China to assume responsibility therefor. It called upon the Japanese Government to withdraw its troops into the railway zone "so that the total withdrawal may be effected before the date fixed for the next meeting of the Council," which it was proposed should adjourn until November 16. In face of a statement so definite as the one thus proposed, Japan must either agree to withdraw speedily or give more definite reasons for delay. Mr. Yoshizawa, therefore, after protesting that Japan was determined to withdraw her troops into the railway zone, stated that a definite time could not be fixed because the safety of the Japanese residents could not be secured until there was a change in the state of mind existing in Manchuria and an atmosphere created in which useful coöperation would be possible. There were, he said, several fundamental points on which an understanding was indispensable before such an atmosphere could be restored, and he asked that China enter into negotiations on the matter. The existence of such fundamental points had been suggested before, but never so clearly as now.

The next day Mr. Sze complained that five weeks of effort by the League and the United States had not sufficed to free the territory of one member of the League, and a signatory of the Pact of Paris, from an unlawful invasion by an army of another. The time, he said, until the next meeting of the Council seemed long; nevertheless China was ready to accept the resolution. He went on to say that she would not discuss any subject with any Power under the pressure of military occupation of her territory. Mr. Yoshizawa, on the other hand, now submitted a counter proposal, saying that Japan would withdraw her troops as the present atmosphere cleared by the achievement of an understanding on the fundamental principles governing normal relations, and recommending the two governments to confer on such an understanding. The Japanese Government, he said, had determined on a number of fundamental points upon which normal relations should be based. He was keenly pressed to explain what he meant by these points, but said that he had no authority to do so. The President, referring to the Pact of Paris, then said that public opinion would not readily admit that a military occupation under these circumstances could be regarded as coming under the heading of pacific means. He urged Mr. Yoshizawa to accept the draft resolution, but he refused. This was on October 24. The counter resolution of Mr. Yoshizawa was then put to a vote and lost 13 to 1; and the draft resolution was adopted by the same vote. The President regretted that they had not attained unanimity, but took credit that they had been able to circumscribe the conflict within its present limits. He hoped the dispute would be ended when they next met, on November 16; and after Mr. Sze had expressed his fear that there was little hope of an improvement in the situation in Manchuria, the Council adjourned.

After the adjournment the Japanese Government made known its fundamental points, which included (as had been surmised) respect for the treaty rights of Japan. Meanwhile, China did not abate the tale of her grievances. She complained that the Japanese were reorganizing the local governments in Chinese hands but under their own control, thus converting their military occupation into a political and economic strangle-hold upon the country. She asserted, also, that Japanese military officers had seized the salt revenues. About this last M. Briand felt obliged to remonstrate, observing that such acts were not related to the

safety of Japanese nationals. Japan replied that the balance of the salt revenue not required by Nanking for payments of foreign debts had hitherto been used by the Manchurian Government for its military expenditures; that the Chinese committee on the maintenance of order at Mukden had asked for it, that the salt revenue office at Newchwang sent it to them, and that the military did not seize it. Now this committee was acting in concert with the Japanese authorities, and later it was virtually admitted that the military had obtained the revenues by force.

Meanwhile, the fates were brewing trouble far to the north. Japan reported to the Council that a bridge over the Nonni River, carrying a railway tributary to the South Manchuria, had been blown up by the Chinese, who had, moreover, opened fire on Japanese sent to repair it. The message added that the guards protecting the workmen would be withdrawn when the repairs were done. Evidently the condition was critical, and on November 6 M. Briand called on both sides to avoid sanguinary action; but, as usual in such cases, each side said the other fired first. A few days later Japan reported that troops were concentrating in front of the Nonni Bridge, and again on November 11 M. Briand reminded both nations of their agreement to avoid aggravating the situation. There followed contradictory reports of what was said and done; but just as the Council of the League was assembling, a battle was fought at Angangchi. The troops of the Chinese General Ma were routed and the Japanese occupied Tsitsihar, the capital of the northern province of Manchuria, with the loss of 31 killed, 104 wounded, and 13 missing.

The League had adjourned to November 16, and on that day it met, this time at Paris. The President informed the Council that immediately after the late adjournment he had received a letter from Mr. Sze saying that China would undertake to settle all disputes with Japan as to the interpretation of treaties by arbitration or judicial settlement; to which Japan had replied that China had raised doubts about the very validity of the treaties, a suggestion which the Japanese could in no case accept. Believing that more could be accomplished by personal conferences than by formal discussion, the Council did not meet again for several days, and, indeed, the only other meetings it held were on November 21 and December 9 and 10. Since the negotiations were carried on in this way, Mr. Dawes could keep in

constant communication with the members of the Council without sitting at their table.

On November 21 Mr. Yoshizawa made a rather startling proposal of a commission of inquiry on behalf of the League to examine the situation in both Manchuria and China but without power to intervene in the negotiations between the two countries or to supervise the movements of the troops. Again there came a period, and a much longer one, of private discussion in the attempt to reach a common understanding.

On December 9 the Council held another formal session, at which the President read a draft resolution embodying Mr. Yoshizawa's proposal. The most important points were, first, a reaffirmation of the Resolution of September 30 (by which the two parties had declared that they were solemnly bound) and a demand by the Council that the withdrawal to the railway zone should be effected as speedily as possible. In the second place, the Council, in view of the serious nature of the events, noted that the two parties undertook to adopt all measures necessary to avoid further aggravation of the situation. Third, it invited them to keep the Council informed; and, fourth, the other members to do the same. By the fifth point, the most important of all, the Council was to appoint a commission of five to study the question on the spot and report on anything that threatened to disturb the peace, with a proviso that it should not be concerned with negotiations between the parties or interfere with the military arrangements of either. Finally, the President was to follow the subject and summon the Council if necessary.

The next day Mr. Yoshizawa accepted this resolution on the understanding that it did not prevent Japan from taking measures for security against bandits; while Mr. Sze said that much of the lawlessness in Manchuria was due to the invasion by the Japanese troops, adding that China would regard any attempt to affect her administrative integrity, or to promote movements for independence, as aggravating the situation. The resolution was then adopted unanimously. In his concluding remarks M. Briand said that the Council had averted war, and was entitled to be confident that there would be no further hostilities. In the same spirit Mr. Stimson expressed at this time his gratification at the result, although not with unqualified confidence.

Whether or not the Council had really had any significant influence on the course of affairs it evidently felt that it had ac-

complished all it could, for it was not summoned to meet again. But the course of events did not stop. Even while the Council was sitting, China reported preparations for an attack on Chinchow, the last important town in Manchuria, which the Chinese were in no condition to defend. These reports Japan denied; but the rumors continued, and although any such advance was understood to be halted, and there was talk of creating a neutral zone between the town and the Japanese troops, the proposal came to nothing.

At this time changes took place in both governments, which brought the conflict to a new phase. How much truth there may have been in the impression of a dissension in Japan between the civil cabinet and the army which it was unable to control, there can be little doubt that the Japanese public favored energetic measures; and within two days after the Council of the League adjourned, the Minseito ministry resigned by reason of internal differences on other matters and was replaced by a cabinet under Mr. Inukai, composed of members of the Seiyukai, the party that had in the past stood for a vigorous attitude in Manchuria. Three days later the rising tide of feeling in China caused the resignation of Chiang Kai-shek and the formation of a more strongly nationalist government there.

Whether the new Japanese ministry adopted a different policy, or was in fact carrying out a plan already formed, a systematic advance towards Chinchow was evidently being prepared. Naturally the prospect of such a stroke did not pass without comment by the nations that had sought to avert it. Mr. Stimson on December 22 expressed to the Japanese Foreign Office the concern of our Government at the reports of movements contemplated in the direction of Chinchow, but indicated no further consequences; and similar action was taken by Great Britain and France. Nevertheless the advance began, and continued until Chinchow was abandoned by the Chinese and entered by the Japanese troops early in January. From there they pushed forward to Shanhaikwan, the gate of the Great Wall, thus completing their military occupation of all southern Manchuria.

III

In making any comment upon this story one must remember the extreme difficulties in which the Council was placed from the uncertainty of rights and facts, both of which were in dispute.

Almost every claim was contested, every act impugned, and every statement of fact denied. Moreover, had the rights and facts been agreed, they presented a very unusual situation.

Japan had a right by treaty to maintain soldiers in the railway zone, that is in Chinese territory, and hence there was no definite frontier between the two countries, such that for troops to cross it would clearly be a hostile invasion to be at once condemned. It was a case of exceeding the limits granted by treaty — which might be justified by a breach of the treaty on the part of the other country. The position involved a difference a little like that between a willful trespass on another man's land, and traversing that land beyond the limits of an easement that he has obstructed.

Then the Chinese central government did not have actual control of Manchuria, whose ruler was in fact largely autonomous. The region was an easy prey for roving bands of brigands and disbanded soldiers whose raids the authorities at Nanking could not restrain, and for whom it could not assume responsibility. Expeditions, therefore, by Japanese troops to suppress marauders could hardly be treated like invasions of a foreign territory; and the line between these and military occupation was not easy to draw.

In such a confused situation the Council of the League proceeded cautiously. The full meaning of the first advance by Japanese troops was not clear to its members, and perhaps not to the government at Tokio; although Mr. Sze quickly saw that it portended an attempt to wrest from China the control of Manchurian territory. If this were the object, and it had been perceived by the Council, a case would have been presented where the members of the League were bound by the Covenant to apply the sanctions of Article XVI, since the use of military force for such a purpose is obviously war. That the Japanese government had, as it constantly asserted, no intention of annexing any part of Manchuria, one need not doubt; but surely to occupy in arms a neighbor's country in order to control its administration is enough to constitute an act of war. Nor is it essential that a state of war should be formally declared. Both nations avoided this; both kept up diplomatic relations throughout; China because to declare it might have impaired her position as an injured suppliant to the League, and would have opened all her ports to attack; Japan because her plea before the Council was that she had begun no war, and since she could obtain what

she wanted by the use of her troops in Manchuria there was no military reason for operations beyond the wall.

One can, however, see a misunderstanding running all through the discussions. Whatever the Japanese Government may at first have thought would result from the seizure of Mukden, it must soon have recognized that it was no passing incident, and the Resolution of September 30 can hardly have had the same meaning for all the members of the Council. To China and to the neutral representatives an agreement for the speedy withdrawal of the troops into the railway zone meant a withdrawal as soon as the immediate object of the advance was accomplished — perhaps in a few days, probably in the fortnight before the Council met again. But to Japan it meant — as appeared more clearly later — a withdrawal after the country had been sufficiently reduced to order to render life and property safe for her nationals. This she knew could not be done by China, but only by herself, and would take much more time than the Council supposed. She could not say how much, and therefore constantly refused to fix a date.

Neither the Council nor the United States undertook to examine the substance of Japan's rights in Manchuria, the only question considered under the Covenant or the Pact of Paris being whether her method of proceeding was a resort to war, seeking the solution of a dispute except by pacific means. It is from this angle that we must regard the action of the League and of our own government. From the whole transaction three things appear:

First, that vigorous measures, if not taken early, become more and more difficult to adopt, even though the evidence becomes stronger.

Second, that the public opinion of the world, on which so much reliance has been placed, has little effect on a nation that, believing itself in the right, has no material interference to dread; and a nation is highly unlikely to conduct important military operations unless there is a predominant belief among its people that it is very decidedly in the right. In this case the twelve neutral members of the Council were wholly in accord; and public opinion was as nearly unanimous, and as much aroused, as it is ever likely to be.

The third inference to be drawn from the transaction is that — at least in times of economic stress — the Great Powers, on

whom the chief burden falls, are not certain to regard as imperative the sanctions of the Covenant. This the Japanese shrewdly ascertained in observing the progress of the negotiations.

Whatever may have been the earlier belief of the countries belonging to the League, it is hard not to consider the final advance on Chinchow as a resort to war within the meaning of Article XVI of the Covenant; and yet no action was taken, nor was even a further meeting of the Council called. For the future of the League this attitude is the most significant aspect of the matter. Mistakes in particular cases may be made, the true nature of events may be misunderstood, and the future may not be prejudiced, for the like may not happen again; but if world opinion is ineffective against a determined nation, and the members of the League cannot be relied upon to carry out its sanctions, the prospect of preventing wars by means of the League is much reduced. It will continue to be a beneficent organ for mutual understanding, an agency for doing things that would otherwise be more difficult; but as a force for removing the scourge of war, and giving the world a sense of security, it will achieve less than its founders hoped.

The position of the United States was different from that of the other nations. Not being a member of the League, it had assumed none of the obligations of the Covenant; and therefore, whether its representative sat at the table of the Council or stayed away, he could not consult with them as a responsible colleague. He was of necessity an outsider, and the common solidarity was thereby lamed.

On the other hand, this country is a party to the Nine Power Treaty to maintain the territorial and administrative integrity of China and the principle of the Open Door there. It is a party also to the Pact of Paris never to seek the settlement or solution of any disputes or conflicts except by pacific means. But the obligations of both these engagements are negative — that is, to abstain from the acts described — and involve no undertaking to restrain any other signatory that should violate them. Although the Nine Power Treaty was certainly made to protect China, the interests of the parties to it are also involved. It is strictly a treaty, and a breach of its conditions by any party to it entitles any other to the redress open in the case of treaties. The note of our government to Japan on January 7 states that "With the recent military operations about Chinchow, the last

remaining administrative authority of the Government of the Chinese Republic in South Manchuria, as it existed prior to September 18, 1931, has been destroyed." To this Japan has replied on January 16: that "the present unsettled and distracted state of China is not what was in the contemplation" of the parties at the time of the treaty and that "they must necessarily be applied with reference to the state of facts as they exist;" that "any replacement which occurred in the personnel of the administration of Manchuria has been the necessary act of the local population" who are not "destitute of the power of self-determination and of organizing themselves in order to secure civilized conditions when deserted by the existing officials." This appears to mean, first, that the condition of China has virtually abrogated the provision for her administrative integrity; and, second, that the changes of administration in Manchuria were due to a spontaneous revolutionary movement there, not the result of Japanese military action.

The Pact of Paris, commonly called the Briand-Kellogg Treaty, raises different questions. Is it strictly a treaty, or is it a common declaration of policy and intention; and if a treaty, what rights does it confer, and what action may any signatory take in case of breach? Clearly no obligation is imposed to take any action, nor is there any suggestion of the action proper to take. Our government has assumed on more than one occasion that it was entitled, without giving offense, to call upon any other signatory to refrain from the use of force, and so much seems to be admitted. Conversely, if we were again to send marines to Nicaragua or troops to Haiti and some other signatory were to remonstrate with us, we should feel that it was within its rights, and that we ought to explain courteously why our action was not contrary to the Pact. Suppose, further, that a nation with which we have made one of our recent arbitration treaties should claim that the Pact, being a treaty, gave it a right to demand that we should comply with its terms; and asked to arbitrate the question whether such a landing of forces in another country was or was not seeking a settlement of a dispute by other than pacific means what should we reply? The arbitration treaties except, no doubt, the Monroe Doctrine; but no one would claim that if the action supposed is a violation of the Pact of Paris it is authorized by that doctrine, and hence not subject to arbitration. If the Pact of Paris is strictly a treaty, it is hard to see why

it does not confer on the other parties thereto a right capable of arbitration under a treaty made for the purpose of arbitrating treaty rights. If, on the other hand, the Pact does not confer an arbitrable right, it is hard to see in what sense it is really a treaty.

In his note of January 7 to Japan Secretary Stimson not only calls the Pact of Paris a treaty, but uses an expression that seems to imply that it confers tangible rights. The last sentence reads "it (the American Government) does not intend to recognize any situation, treaty or agreement which may be brought about by means contrary to the covenants and obligations of the Pact of Paris of August 27, 1928, to which Treaty both China and Japan, as well as the United States, are parties." In the reply of January 16 Japan sweeps it aside by the remark that, although this might be the subject of an academic doubt, "as Japan has no intention of adopting improper means, that question does not practically arise."

However this may be, Secretary Stimson's statement is an interesting one. It seems to mean that if the present trouble should end by an agreement whereby China should cede to Japan any rights in Manchuria, the United States, Russia or any other signatory would have a right under the Pact to disregard them, if in its opinion they were acquired by other than pacific means. If this means that a signatory may intervene when the cession is made, and insist that it be modified, that has been done in the past and does not require the Pact of Paris. It was done by the Congress of Berlin in 1878. It has been done twice with Japan, first when she was made to yield the Liaotung peninsula in 1895, and again when the United States caused her to reduce her twenty-one demands in 1915. But if it means that any signatory of the Pact has a right at any future time to refuse to recognize the provisions of a treaty so made, the question is much more serious. Of course, to do so would be a certain cause of friction, highly likely to produce an extremely dangerous situation. Suppose, for example, as is not improbable, that China should feel compelled to cede, not the sovereignty, but the control and administration of all Southern Manchuria, and that our merchants, supported by our government, should pay no attention to Japanese officials and customs duties, how long would peace last? Yet if we do not do this we are recognizing a condition brought about by means which Mr. Stimson's note implies would, in the event supposed, be contrary to the covenants and obligations of the Pact of Paris.

Of course the Pact is not retroactive. If it were, our title to California, part of Arizona and New Mexico, to the Philippines and Porto Rico would be without international recognition. But for the future, unless wars are to cease entirely or are to be followed by no changes of territory, the Pact of Paris, with an interpretation whereby the signatories are under no obligation to prevent war, yet are at liberty to disregard its results, might well create more causes of strife than it would allay. It would signify that any nation could repudiate its treaties, and disregard those made by others, on the ground of duress. Now the object of international law is to make the rights of nations certain, not to unsettle them; if a wrong has been done to correct it at once, not to leave it as a festering sore for any nation to probe thereafter, or as an excuse for action that would otherwise be without justification. One of the worst international evils is the existence of indefinite claims that can be used on convenient occasions. Our government will not go to war, and unless under great provocation will not suspend commercial intercourse, as Japan knows full well; but while using whatever pacific pressure it can to obtain a fair settlement, it must ultimately recognize the situation that develops; and, if so, is it not wise to make clear that we do not claim an interpretation of the Pact that, if generally accepted, might make the relation of states more uncertain, more full of danger than if the Pact had been unsigned?

AFTER THE INDIAN CONFERENCE

By the Marquess of Zetland

THE second session of the Indian Round Table Conference was held in London during the autumn of 1931. In bringing its proceedings to a close on December 1, the Prime Minister summed up the work done and made a declaration of policy on behalf of the National Government which had been returned to power with an immense majority at the October elections. Earlier in the year, at the conclusion of the first session of the Conference in January, Mr. MacDonald had made a statement of policy on behalf of the Labor Government of which he was then the head. The outstanding feature of the policy which he had then outlined had been his Government's acceptance of the principle that responsibility for the government of India should be transferred from Parliament at Westminster to Indian Legislatures; in other words the goal in view was a parliamentary government modeled as closely as circumstances would permit on the British system. So far as structure was concerned, the immense size of India and the existence of huge administrative units in the shape of the Provinces of British India, to say nothing of the Native States, pointed clearly to a constitution of a Federal type.

Mr. MacDonald had made it clear that the goal was not to be reached in a single stride. The new Constitution was to contain such provisions as might be found necessary to guarantee, during a period of transition, the observance of certain obligations resting upon Great Britain as the custodian of the interests of the Indian peoples, and it was to confer upon the Viceroy such powers as might be necessary to enable him to afford minorities protection for their political liberties and rights. Moreover, for an unspecified period certain portfolios were to remain outside the control of the Indian Legislature, notably those of Defense and External Affairs, while in regard to Finance such conditions were to apply as would insure fulfilment of the obligations incurred under the authority of the Secretary of State at Whitehall and the maintenance unimpaired of India's financial stability and credit. Mr. MacDonald had added that in such statutory safeguards as might be devised for meeting the needs of the transitional period, it would be the primary concern of His Majesty's Government to see that the reserved powers were so framed and exercised as not

to prejudice the advance of India through the new Constitution to full responsibility for her own government.

The statement with which Mr. MacDonald brought the second session of the Conference to a close was remarkable not so much for any new contribution towards the solution of the problem, as for the emphatic reaffirmation which it contained of the policy laid down in his earlier pronouncement. In January 1931 Mr. MacDonald had spoken as the head of a minority Government which depended for its existence in the House of Commons upon the complaisance of its political opponents. And though the Conservative delegates at the Round Table Conference had given conditional support to the policy then laid down, they had done so with some hesitation, while it was notorious that a section of the Conservative Party, both in the House of Commons and in the constituencies, was definitely opposed to so rapid an advance. By December 1931 the scene had undergone a dramatic change. Mr. MacDonald now faced the Conference not as the head of a minority Government, but as the leader of a Government reflecting to a unique degree the will of the nation — a Government supported by the whole of the Conservative Party, the greater part of the Liberal Party and that section of the Labor Party which, under the leadership of Mr. MacDonald himself, Mr. Thomas and Mr. Snowden, had to its credit put country before party and given its support to the National program. In these altered circumstances the real significance of the declaration of December 1 lay in the Prime Minister's announcement of the acceptance by the National Government of the policy laid down in his earlier pronouncement. In particular, it was explained, the Government desired to reaffirm their belief in an all-India Federation as offering the only hopeful solution of India's constitutional problem. "They intend to pursue this plan unswervingly," Mr. MacDonald asserted, "and to do their utmost to surmount the difficulties which now stand in the way of its realization;" and he added that in order to give his declaration of policy the fullest possible authority, it would be circulated as a White Paper to both Houses of Parliament, whose approval would be sought forthwith.

When early in December the matter was submitted to Parliament, a plea for caution was put forward in both Houses, and, as was to be expected in the case of a Chamber numbering among its members many persons with personal experience of adminis-

tration in India, with greater force and with a larger measure of support in the Upper than in the Lower House; but at the end of a three-day debate, maintained at a high level throughout, the Government were authorized to proceed with their policy by a majority of 106 to 58. In the House of Commons approval had already been given by a majority of 369 to 43. The policy thus received in striking manner the endorsement of Parliament irrespective of party and has thus become beyond all possibility of challenge the policy of the nation.

It was not only in Great Britain that the scene had undergone a transformation; between the first and second sessions of the Conference equally striking changes had taken place in India. The leaders of the Indian National Congress, the best organized and the most powerful of the political parties in India, who had rejected the offer to attend the first session of the Round Table Conference in 1930, had found it expedient to reconsider their position in light of the results achieved at the conference table. The Viceroy, Lord Irwin, quick to seize the opportunity which had thus presented itself, had made a swift gesture by unconditionally releasing Mr. Gandhi and other leaders of the civil disobedience movement from the prisons in which their defiance of the law had landed them. His vision had been justified, for as the result of prolonged and patient negotiation between him and Mr. Gandhi a truce had been agreed to, the civil disobedience movement had been called off, and an invitation to the Congress to send representatives to the second session of the Round Table Conference had been accepted.

So much for events in India. The stage was now cleared once more at St. James's Palace in London where the management — if the staff of the India Office on whose shoulders fell the task of making the necessary arrangements may be so described — awaited with interest and a good deal of curiosity the arrival of the performers, with Mr. Gandhi, Pandit Madan Mohan Malaviya and Mrs. Sarojini Naidu as new and unpredictable stars in the cast. What would be the attitude of such uncompromising advocates of Indian independence at a conference table at which, as was obvious in view of the decisions already reached, a not unimportant subject of discussion would be the nature and scope of the limitations to be imposed upon the autonomy of the Indian Legislature under the Act by which Parliament was to confer self-government upon India?

The session was certainly not lacking in dramatic quality. There were at times emotional passages between delegates representing different points of view, periods of tension in an atmosphere highly charged with explosive possibilities; but on the whole those who looked for a spectacular drama on a grand scale must have been disappointed. Generally speaking the proceedings were carried through in a lower key than had been the case during the earlier session. As was inevitable, the exhilarating optimism which had been engendered by the discussion of abstract principles tended to cool down when the practical difficulties in the way of giving effect to them came under discussion. The picture conjured up in the minds of many by the conception of an all-India Federation, bringing into a single glittering edifice the democratically governed Provinces of British India and the autocratically governed territories of the Ruling Princes, had been a pleasing one. Those who had planned it had seen, in imagination, the immense and bewildering heterogeneities of the Indian continent — those formidable and stubborn obstacles to nationhood — vanishing under the magic dome of a political edifice which was to defy the centrifugal tendencies inherent in the circumstances and to give to India's many-tongued and many-visaged peoples a hitherto unimagined measure of cohesion. And only when the first flush of enthusiasm had died down, and the various possible methods of applying the principle began to claim attention, was it realized that there were likely to be drawbacks as well as advantages attaching to the scheme. The number of Ruling Princes present at the first session of the Conference, though representing states of various types and of the first importance, had necessarily been only a small proportion of the whole; and it was not unnatural that some, at least, of those who had not been present should view with apprehension the possible consequences to their states of so rapid and so great a change. Even in the ranks of those who had taken part in the deliberations of the Conference a difference of opinion manifested itself; thus a view departing widely from that provisionally accepted at the Conference found a spokesman in His Highness the Maharaja of Patiala, ruler of the largest of the Phulkian States, and himself a recent Chancellor of the Chamber of Princes.

But the fundamental difficulty which presented itself at the very beginning of the second session of the Conference was that of finding a bridge across the gulf dividing the Moslems and the

Hindus. The Moslem delegates, fresh from contact with their coreligionists in India, made it plain that until an agreement had been reached securing to them the share in the future government of the country to which they considered themselves entitled they would not be prepared even to discuss the transfer of power to an Indian Federal Legislature. And encouraged by the attitude of the Moslem representatives, the Sikhs put forward claims affecting their own future position in the Punjab, which it was found impossible to reconcile with the claims of other interested communities. Here, then, the Conference at last came to grips with the bed-rock problem of Indian government — a problem which has its roots deep down in history, one which has existed throughout the British occupation — a source of danger and often of serious disturbance, yet one which has not manifested itself in more serious guise only because control has been in neutral hands determined and able to hold the scales even between the rival communities.

In an article written for the October 1930 number of *FOREIGN AFFAIRS* I made passing reference to the difficulties arising out of Hindu-Moslem rivalry; but unless the nature of the gulf which separates these two communities is fully understood, it is impossible to appreciate the extent to which it acts as a block on the road towards the goal which Great Britain and India alike are striving to attain. Let us try to grasp it at least in its essentials.

The difference between Moslem and Hindu is not only one of religious belief and practice, for Islam like Hinduism stands for a social system and a particular outlook upon life contrasting sharply with that of the other community. While the caste system of the Hindus is exclusive, the social organization of Islam is communistic. Under the Hindu social system men are graded minutely and segregated in an infinite number of water-tight compartments; under Islam all men are equal. Hinduism is essentially aristocratic; Islam is as emphatically democratic. An outstanding feature of the Hindu caste system is the restriction which it places on a man's freedom of choice in the matter of marriage. He may not marry a woman of his own *gotra*; on the other hand he must choose his wife from within his own sub-caste. And if a man may not marry outside his own sub-caste still less may he marry outside the Hindu community. Hence the remarkable fact that though the Moslems have dwelt in India for something like a thousand years, and now number some

80,000,000, they remain a race apart and distinct from the Hindus who form the bulk of the population.

The clash of religious thought and practice constitutes a perennial source of trouble. The elastic polytheism of the Hindu is a perpetual challenge to the austere monotheism of the Moslem, so that when a Hindu idol procession passes a mosque with drums booming and pipes whistling it excites feelings which only too often find expression in violence and bloodshed. On the other hand, the Moslem is contemptuous of the Hindu's veneration for the cow as a sacred animal, and since his own religious observances demand the slaughter of cattle he is equally guilty with the Hindu of fanning into flame the smoldering embers of religious passion. The archives of the Governments in India are choked with records of communal strife. In February 1931 a band of Hindu villagers brutally massacred eleven Moslems in a rural district of the United Provinces. "There was nothing modern nor political in this crime," commented the members of a Commission of Inquiry appointed a few weeks later to investigate a much more serious outbreak at Cawnpore in the same province. "A Moslem *zamindar* (landowner) sent a haunch of venison to a tenant. Some Hindus said it was beef, not venison, and the massacre of the Moslem inhabitants was the result."

Further, when endeavoring to understand the attitude of the Moslems towards the political developments now in progress, we must remember that they have been slower than their Hindu rivals to take advantage of the facilities which have been provided under British rule for the acquisition of western education; and that quite apart, therefore, from the handicap imposed upon them by their numerical inferiority in any purely democratic system of government, they are less well equipped than their Hindu fellow citizens for achieving success in any contest in which intellectual subtlety and familiarity with the theory and practice of western democracy must necessarily play an important part. Yet they are at the same time a people with many centuries of history behind them and with race memories of the days when the overlordship of India was theirs; a people conscious of the proud part which their ancestors played upon a glittering stage when for two centuries the great northern capitals of Delhi and Agra were the seats of the resplendent courts of the famous dynasty of the Moguls. And it is impossible to escape from the conclusion that with the prospect of control passing gradually

from British hands to those of a Hindu majority in the future Constitution, Moslem antagonism is being sharpened by Moslem fears. The outbreak in Cawnpore in March 1931, referred to above, was the direct outcome of the civil disobedience movement, the Moslems of Cawnpore refusing to join the Hindus in demonstrations ordered by the Congress on the occasion of the execution of Bhagat Singh, a Punjabi revolutionary convicted of the murder of a police officer and of waging war against the King-Emperor. Members of the two communities quickly came into collision and the early clashes, to quote the finding of the Commission of Inquiry, "developed into a riot of unprecedented violence and peculiar atrocity which spread with unexpected rapidity through the whole city and even beyond it. Murders, arson and looting were widespread for three days. . . . The loss of life and property was great. The number of verified deaths was 300, but the death roll is known to have been larger and was probably between 400 and 500. A large number of temples and mosques were desecrated or burnt or destroyed. . . ."

More recently still, serious trouble has been experienced in Kashmir, where the Moslem population has become restive under the oppression, real or imaginary, of Hindu rule.

Here, in a nutshell, is the explanation of the Hindu-Moslem problem, and it is obvious that with roots so deep no formula for solving it which did not carry with it the convinced assent of those concerned would be worth the paper on which it was written. From the time, therefore, when the question first obtruded itself upon the attention of the Conference, Mr. MacDonald made it plain that it was one which Indians must settle for themselves. The first of the privileges and the burdens of a self-governing people was, he was at pains to point out, to agree how the democratic principle was to be applied. Consequently, an attempt to find a solution was made, and informal negotiations proceeded daily behind closed doors during the last days of September and the first days of October. Though Mr. Gandhi was strongly opposed on principle to the demands of the Moslems for separate communal electorates and for representation in the Legislatures, both Provincial and Central, in excess of that to which they would be entitled on a purely numerical basis, it is possible that — unwilling as he was to demonstrate to the world at large the hard reality of the communal problem, so often and so conveniently attributed by Great Britain's enemies to a Machi-

avellian policy on her part of "divide and rule" — he might have persuaded himself of the expediency of agreeing to them. But at Mr. Gandhi's elbow, alert to detect and to quash any sign of weakness on the part of his less orthodox fellow countryman, stood Pandit Madan Mohan Malaviya, leader of the Hindu Mahasabha — intellectually brilliant, soft-tongued and courteous to a degree, but in his championship of Hindu orthodoxy, adamant. A striking figure this — slim, white-robed, of quiet demeanor, yet an orator capable of passionate flights; a man who for fifty years has maintained himself in the forefront of Indian public life; for a decade or more Vice-Chancellor of the Hindu University at holy Benares; twice President of the Indian National Congress. There was little chance, indeed, that the Moslem view would be accepted by this doughty upholder in its integrity of the ancient tradition of the caste Hindus.

A meeting of the Committee of the Conference charged with the duty of dealing with the Minorities question was called for October 8. The main item of business on the agenda paper was to receive a report by those who had been engaged in the informal negotiations for a settlement of the Minorities problem. The meeting provided one of the dramatic episodes of the session. The Committee sat in one of the smaller rooms allotted to the Conference in St. James's Palace. The whole of the seating accommodation at the table was occupied by members of the Committee; other delegates and the officials in attendance crowded the floor space along the walls. A hushed silence fell as the Prime Minister took his seat and called on Mr. Gandhi to make his report. Every eye was turned on the small figure swathed in many folds of homespun cotton cloth, seated immediately to the left of the chair. With his accustomed slow delivery and meticulous pronunciation of every syllable, Mr. Gandhi made his eagerly awaited statement. It was with feelings "of shame and of humiliation," he said, that he had to announce that they had failed to reach agreement.

Subsequent attempts to find a way out of the impasse were successful only to this extent, that the Moslems and most of the other Minorities reached agreement amongst themselves as to the nature of the protection to be afforded to them; but the main question remained unsolved, neither the Moslems nor the Sikhs nor the Hindus being able to compose their differences. This failure necessarily robbed the remaining sittings of much of their

interest; for though progress was made with the consideration of the methods by which effect might be given to the decision to set up an all-India Federation, the Moslem delegates sat silent spectators of the proceedings, refusing to discuss the details of a constitution in which, in the absence of a satisfactory settlement of their claims, they declared themselves unable to take a share.

Fresh interest was aroused in the final sitting of the session by curiosity as to the nature of the statement which, in those circumstances, the Prime Minister would make on behalf of the Government. The sitting began at 10.30 on the morning of Monday, November 30, and once more a spirit of drama descended on the Conference chamber. On the left of the Prime Minister sat Mrs. Sarojini Naidu, poetess, patriot and politician, an impressive figure in the ample folds of her national costume, the gleam of her dark eyes telling of the fires that burned within. On her left was the almost huddled figure of Mr. Gandhi and beyond him again Pandit Madan Mohan Malaviya and other members of the various sections of the Hindu community. On the right of the Prime Minister were the members of the British delegation and beyond them again the Ruling Princes. Facing the chair, seated at the inner lap of the huge oblong table, were Dr. Ambedkar, the chief spokesman of the Depressed Classes; Mr. Joshi, the thoroughgoing champion of Indian labor and ardent advocate of adult suffrage for the three hundred and fifty millions of the Indian continent; Sir Hubert Carr, the leading spokesman of the British mercantile community; and the representatives of other minorities. Behind them again at the outer ring of the table sat the representatives of the eighty million Moslems under the leadership of His Highness the Aga Khan.

It happened to be Mr. Gandhi's weekly day of silence, and as speaker after speaker rose to deliver his final speech the Congress representative sat brooding at the table, a mute, intractable and enigmatic figure. The day wore slowly on towards its close and at length, a little after midnight, his period of silence over, Mr. Gandhi addressed the Conference. It was a mischievously pessimistic utterance shot through with bitterness and devoid of constructive suggestion of any sort; and had the Conference closed then it would have done so on a note of unrelieved, though happily wholly unjustifiable, gloom. But a complete change was wrought in the heavy atmosphere by a speech which must be accorded a high place in the great oratorical efforts of mankind.

For after Pandit Madan Mohan Malaviya had spoken there rose from the end of the table the long-robed figure of Mr. Srinivasa Sastri, a man who through twenty years of chequered Indian history has played with singular success the part of Elisha to the Elijah of the late Mr. G. K. Gokhale. The peculiarly appealing voice which Mr. Sastri knows so well how to employ, rang with the cadence of a silver bell through the night. His courteous but none the less emphatic rebuke of Mr. Gandhi for his bitterness, and his inspiring profession of faith in the future, dispelled as if by magic the clouds which had descended upon the closing stages of the Conference.

After an adjournment at 2 a. m. the delegates reassembled on the morning of December 1 to listen to the statement by the Prime Minister which has been described at the beginning of this article. So far as the communal deadlock was concerned, Mr. MacDonald expressed the hope that a solution might yet be found by Indians themselves; but failing that, His Majesty's Government would be compelled to apply a provisional scheme of their own. He did not attempt to disguise from them the unsatisfactory nature of any such procedure: "This would mean," he said, "that H. M. Government would have to settle for you, not only your problems of representation, but also to decide as wisely and justly as possible what checks and balances the Constitution is to contain to protect minorities from an unrestricted and tyrannical use of the democratic principle expressing itself solely through majority power."

With the close of the session, interest shifted once more from London to Delhi and Calcutta; and we must now glance at developments there. While the delegates from India had been engaged at the Conference table, the hot-blooded members of the more extreme section of the Indian National Congress had been viewing events with growing impatience. There were among them men who had always regarded with distaste the method of constitutional negotiation — men imbued with that false pride of race which causes them to mistake hatred of other peoples for love of their own; and when the economic distress arising out of world-wide causes became acute in parts of rural India, the temptation to take advantage of it proved too great for them. Contrary both to the spirit and the letter of the truce signed by Lord Irwin and Mr. Gandhi, they threw themselves into a no-rent and no-tax campaign, concentrating upon certain districts in the

United Provinces. Concurrently with these activities was to be observed an alarming recrudescence of the terrorist movement in various parts of India and notably in Bengal. The most revolting of the outrages perpetrated by members of the Bengal secret societies was the treacherous and cold-blooded murder of an English magistrate on December 14 by two Bengali girls in their 'teens, armed with pistols. But this was only the latest of a formidable series of outrages. Earlier in the year an English judge had been murdered in the broad light of day while at work in his court in Calcutta, this crime following at an interval of a week only an attempt to assassinate Sir E. Hotson, the acting Governor of Bombay. During the previous year the Inspector General of Police and the Inspector General of Prisons in Bengal had both lost their lives at the hands of the assassins and an attempt had been made on the life of Sir G. de Montmorency, the Governor of the Punjab. These are but examples of the murders, and attempted murders, which marked the months during which the Round Table Conference was at work. And while these events were taking place in the interior, the organization known as the Red Shirts, inspired by agents of the Indian National Congress, was causing serious apprehension by its seditious activities on the Northwest Frontier.

Against these various subversive movements, swelling in volume and increasing in violence as the days went by, the Government found themselves obliged to take drastic action; for no Government, unless intent on abdicating, can sit with folded hands while its agents are assassinated, its lawful dues withheld, its authority disregarded and its laws defied. Toward the end of the year 1931, therefore, the Viceroy issued various ordinances conferring upon the Executives in the Provinces the additional powers which experience had shown were necessary to enable them to cope with the particular forms of seditious activity with which they found themselves confronted.

This, then, was the situation when Mr. Gandhi and other delegates to the Indian Round Table Conference returned to India early in the present year. It may be that Mr. Gandhi on his return found the left wing of the Congress out of hand and decided that it was better to swim with the current than to admit his inability to control it. Yet those who had watched him closely during the closing stages of the second session of the Round Table Conference experienced no surprise when he crossed the Rubicon

and threw down his challenge to the Government once more. Mr. MacDonald's speech when bringing the Conference to a close had been a straightforward and wholly unambiguous statement; not so Mr. Gandhi's reception of it. He would refrain from expressing any opinion upon it, he said, but would search for "the hidden meaning" underlying it; and those who were familiar with his peculiarly unstable temperament had little doubt that he was already contemplating a return to the barren wilderness of non-coöperation. At any rate, seizing as his excuse Lord Willingdon's very natural refusal to discuss with him the propriety of the measures which he had been obliged to take to safeguard the lives of his officials and the tranquillity of the realm, Mr. Gandhi denounced the truce and called for a renewal of civil disobedience.

How was such a situation to be met? I make no apology for repeating the view which I expressed when Mr. Gandhi launched his civil disobedience movement in 1930. The duty of the Government, I then urged, was to go forward steadily and firmly on the path which had been marked out, *i.e.*, on the path of constitutional reform, turning neither to the right hand nor to the left; neither allowing themselves to be stampeded by the violence of agitation in India into making concessions which, upon a consideration of all the factors in the case, were deemed to be too great in the interests of the people of India themselves, nor, on the other hand, refusing to make such concessions as the justice of the case might demand. I added that if such a policy was to be successfully pursued, the Government must make it clear that they possessed both the will and the means to restore order and to insure respect for the law.¹ That is the policy which is, in fact, being pursued. It constitutes no departure on the part of Lord Willingdon from the policy of his predecessor. Lord Irwin has, indeed, made it known that his Government had matured their plans for meeting just such a situation as has now arisen, and he has stated that he cannot but suppose, had he still been Viceroy, that he would have acted precisely as Lord Willingdon has done.

It remains only to point out that in the pursuit of the constructive aspect of its policy the British Government have much more than mere promises to show. At the request of the Round Table Conference at its first session, two committees were set up in India, one to examine the possibility, from a financial point of view, of constituting a new province by separating Sind from

¹ Speech in the House of Lords, May 28, 1930.

Bombay, the other to draft a scheme for the establishment of a military college for the training of Indian officers in India. Both committees have completed their labors and issued their reports. In accordance with the promise of the Prime Minister at the conclusion of the second session of the Conference, the status of a Governor's Province has been conferred on the Northwest Frontier; a register of electors is being prepared and arrangements made for the election of members to the new Legislature in April. At Delhi the Viceroy has summoned a consultative committee of delegates to the Round Table Conference, while three other Committees presided over by English public men have reached India and are at work on tasks delegated to them by the Conference. These tasks are the consideration of the franchise to be adopted under the new Constitution, and the investigation of different aspects of the financial problem involved in the formation of a Federation of entities differing so widely in their political constitution as the Provinces of British India and the Native States.

Thus we see in full swing the dual policy of enforcing respect for law while at the same time taking all possible steps to expedite the solution of the many subsidiary problems which present themselves both to the architect and to the builder of so vast an edifice as an all-India Federation. Emerson found the Englishman to be him of all men who stood firmest in his shoes; "he has stamina," he wrote, "and can take the initiative in emergencies." It is a display of these two capacities that is called for in India today; and it is in the Englishman's continued possession of them that rests the best hope for the Indian peoples in the critical years that lie before them.

HITLER: PHENOMENON AND PORTENT

By Paul Scheffer

THE National Socialist Party came into being in Germany eleven years ago, founded by a group of seven men. Adolf Hitler was the seventh to join. He was soon, however, "the man" in the group; and so he is today in the party numbering millions of adherents which is often designated by his name. There may be cleverer, better educated, more energetic individuals in the party than he. All the same, "the Nazis" and "Hitler's Party" are synonymous terms. The party, such as it is, exists because there has been a man like Hitler for it to gather around, a man of a definite driving force that is powerful and contagious; an electric person whose appeal is irresistible.

I have used the word party as the term readiest to hand. It is not, however, a case of Hitler's having added just one more parliamentary machine to the many — the far too many — which figure in German political life. Here is a movement nourished on a variety of social, moral and economic forces and which has hardly reached the political stage in its evolution. For this very reason Hitler's party is as intolerant as any young movement can be. It has as yet no definite program, nor as yet any definite support which it can use to bargain with other parties and measure its pretensions with reference to what it can actually obtain. In a word, the Hitler movement has not yet assumed its rational physiognomy. The currents of feeling which it expresses lie deep down in German life. They have still to come to practical expression.

As always happens in such cases, there is no way of knowing whether the party can ever take on full status as a party. We do not know whether its leaders feel certain that it can. We are not even sure whether Hitler in his secret heart is free from doubts, whether, out of the inner aspirations, the chemically pure ideals, which his following shares with him — out of so much still fluid metal — he can forge a weapon of steel adapted to practical politics. We do not know whether at bottom he is a "strong man."

It is difficult for traditional democracies to picture embryonic political movements of the Hitler type in their beginnings. But no less idealistic, no less utopian, were the beginnings of the Communist movement in Russia. That movement, too, started

with a few individuals of glowing convictions and extremist aims. Did not Italian Fascism likewise begin with a few persons of strong but vague aspirations — vague so far as any application of them to practical life was concerned? And did not those petty groups enlarge suddenly into big organizations? As late as 1927 the Fascist Minister of Justice, Signor Rocco, remarked to the author of this article that the theory and the general program of Fascism would have to evolve out of an actual struggle with realities; that the Fascist movement did not derive from a program, nor was it being guided by one; that the program would be supplied by the march of events. In Fascism, accordingly, the prime factor has been something altogether subjective, a driving force that does not know precisely where it is headed, but which, wherever it is, will be sure of itself. Mussolini has been a statesman and not merely a stirrer of emotions. The dynamic elements which he crystallized, he soon pressed into the service of very definite aims — and that was the case with Lenin, too. The leaders of the National Socialists in Germany admit, in thoughtful moments, that for “ten years or so” they will make mistakes, even bad ones. But the success of their Bolshevik and Fascist predecessors inclines them to view that prospect with calm. Those who consider the Hitler movement from a detached standpoint — indifferently, maybe, or even with sympathy or hostility — should not beguile themselves with the consideration that it is “utopian,” or that “it has no fixed program,” or that its concrete demands are “nonsensical.” In the party’s present stage of development its demands are more safely to be regarded as symbols, as signboards indicating a general direction, but saying nothing as to what will be found at the end of the road. It is true, of course, that these symbols represent in large part real things, existing institutions, other facts, against which National Socialism is making radical protest. The danger lurking in the situation is therefore enormous. Irreparable havoc may be wrought in Germany if the movement grows in power without maturing correspondingly in its thought. Soviet Russia has been through just that experience — and its leaders as well. It is all the more important, therefore, to appraise the Hitler movement as the thing that it really is today, and to understand its true meaning.

Hitler is the most successful orator that Germany has ever possessed. It is a striking fact that the spoken word should be

exerting such a strong influence at the present moment in German history. The Germans are a people of books, not of auditoriums. It is an interesting and a stirring experience to listen to Hitler — his bitterest enemies have often fallen under his spell. And it is very instructive to examine his audiences. The hall where he is to speak often closes its doors an hour before the meeting is scheduled to begin because it is already filled to overflowing. One always sees a clean, neatly-dressed crowd with faces that betray intellectual pursuits of one kind or another: clerks, professors, engineers, school teachers, students, civil service employees. These audiences are preoccupied, chary of words, quiet. Their faces are tense, often drawn. The only bustle in the room will come from the “hall guards,” a typical product of these new times — rough young fellows — the *Sturm Abteilungen*, or “shock troops.” The predominant element in the picture is what is so aptly described in Germany as the “de-classed” middle class: creatures visibly down at the heel, spiritually crushed in the struggle with everyday reality, distraught under a perpetual worry about the indispensable necessities of life. One notes many young people among them. All in all, it is an exceedingly variegated mixture of types from the past, from the present, and one might almost say from the future of Germany: it is that famous “brew” into which Germany, once so stably articulated in her classes and callings, has dissolved during these past ten years as a result of economic disaster, unemployment and shifts in power. They are all people who have had conceptions of life, and conceptions of their personal rôles in life, with which their present situation stands in violent contrast. Often they are people who have been pushed aside, people who have not been admitted to German life under present-day conditions. The proletariat, the working man, has on the whole bettered his financial situation under the Republic; whereas the middle strata of society have had to lower their standard of living to an incredible minimum.

Even if the observer had never heard of Hitler’s program he might guess what this depressing assemblage of people is waiting for. It is waiting for a gospel, a message, a Word that will release it from the pinch of want, something that will compensate for the unbearable limitations of its present mode of existence. It wants to get hold of an ideal that will guide it forth from the quagmire where it finds itself. It wants to hear an assurance that it is entitled to a place in this new world. The man who can lift these

people from their depression of spirit even for the space of an hour can win them to himself and to the cause that he tells them represents the substance of "liberation." A situation for a great orator! A great situation for an orator!

Hitler's adversaries are right in charging that such an audience can easily be misused. Hitler's utterances on the subject of propaganda, both from the platform and in print, show in fact that he is willing to use any means which he judges serviceable in winning adherents to his cause. He fans the flames of hatred just as unscrupulously as he arouses the most exaggerated hopes.

However, let us keep to his audiences. What is it that stirs them? What keys can Hitler strike with such effect that he can drag millions of people whithersoever he chooses?

Fundamentally it is a question of the hard times which have settled over Germany ever since the war. Great fortunes have come into being, though they are probably more apparent than real. Meantime, statistics show that as regards the middle classes, which used to be Germany's backbone, the standard of living is far below the pre-war level. Since 1929 it has sunk to unprecedented depths. Hitler turns his guns against those people who have increased their fortunes disproportionately to the general average of wealth accumulation in Germany, and especially against the anonymous wealth of the trusts — "coupon slavery." He attacks reparations which are sapping the life-blood of Germany. All this is well known abroad.

Hitler berates "Marxism," denounces and vilifies it. In this lies a very instructive portion of his propaganda and of his fanaticism. Unquestionably it is his most emphatic theme. The people before him are Germans. Can they, as Germans, consent that a large number of their fellow-citizens, the industrial workers, should be taught that in the last analysis they are more closely bound up with the working classes in other lands than with their own countrymen who do not happen to be "proletarians?" The people who are sitting in front of Hitler have, for the most part, sunk below the standard of living of a German workingman with a job. As for some of the others, there is only a slight difference between their income and the wages of a workingman. For all that, they do not think of themselves as proletarians. That they do is one of Moscow's illusions. Quite the contrary! On that very account they insist that they prefer to live in a state that is not governed by workpeople, a state that knows no discriminations

of class — not a state according to the ideals which Marx set up for his state of workingmen, where the proletariat hold the power and set the tone. On just such grounds they want to be “national.” From just such feelings nationalism has taken on a new meaning and impetus, not only in Germany, but in Italy and other countries.

To the same extent these people feel strangers to the “forces of wealth.” They have nothing — just as the working classes have nothing. Hence the surprising mixture of concepts apparent in the baroque expression, “National Socialism.” The effects of the capitalist system also weigh down upon them. They hate “the plutocrats.” Their battle cry is about what they call the “Jewish financial tyranny,” an artificial scarecrow, devised *ad hoc*, and aimed at one individual or another. Propaganda requires such things.

Hitler proclaims that a German today cannot properly say “we Germans.” The “we” has no meaning. Marxism says “we,” but it knows a different kind of “we.” And is not capitalism international, after its fashion? Germany must become one again. Germany needs to become one again in order to be “free” again. She will be “free” again when she is again respected abroad! All this, as is apparent, is held together by very simple stress on German homogeneity, on things that seem self-evident. But in the impoverished and “enslaved” Germany of the present “the program” must prevail absolutely, actively, as the highest expression of the country’s life.

In this clamor for unity, for unification, there is something that is never put clearly into words but which is nevertheless playing an important part. It is a problem of German “culture.” Hitler storms at the “intellectuals.” He is forever crying alarm against their conception of the world. The best educated people in Germany are indifferent to the national interest — and the word for “interest” — “*belange*” — is a new German term taken over to replace the Latin word. They have an international outlook. They do not “think German.”

In Germany, as everywhere else, there are great differences in degrees of popular education; but such differences have greater social significance in Germany than in other countries. They create sharper distinctions between one individual and another. Hitler is against all that. He is fighting for the right of the half-educated to their own picture of the world, to a culture which is

illuminated by love of country. He shouts at the university students that they are not worthy of pursuing their scholarly studies if they cannot find a common ground with the mechanic who is intent on serving his country. Hitler takes into account the reaction of the moderately educated but thinking person to the superiority of those who are highly educated, a reaction that is not without its resentments. Hitler himself is a self-educated person, a thorough-going "autodidact," and he has read in many directions. In his eyes the essential thing is not high intellectual finish, but active love of country and mutual understanding among all. Germany, with a huge intellectual proletariat, which in many cases does not come up to the older standards of education, really finds herself in an educational crisis. Hitler's idea is to give the people a common meeting ground of convictions which abolish all distinctions and in which all share. Cultural differences must yield to patriotic sentiments, not result in divisions between individuals and classes. This expresses itself in attacks on the intellectuals whom the plain man least understands.

What unites all of Hitler's listeners is a feeling of humiliation, of injured self-respect. This comes into play in many directions, economic, social, cultural. And even diplomatic! For it is a quite natural thing that all these feelings of hurt should gather and precipitate about the rôle which Germany has been playing in the world since Versailles. While, with some undulations, the international position of Germany has been improving, this relative increase in her prestige has made no great impression on the German masses. Discriminations against Germany within the world of nations have, on the other hand, been generally noticed by the plain people. By dint of careful nursing, the notion of reparations has been transmuted into the notion of "payments of tribute;" and economic distress has found in reparations an explanation that is clear and convincing to everybody. The same is true of social unrest. The people who sit before Hitler have in their minds a very clear picture of the forces that are determining their present situation, and it is not difficult to carry them on to the corollaries. Hitler can lay hold on them in their innermost sensibilities when he raises his cry for unity, promises them the "respect" of the world as the fruit of unity, and tells them that Germany can have no foreign policy — on this theme he harps in every conceivable connection — until she has made herself one. No party in Germany has a formula so simple. No

party has gone to the trouble of understanding this particular class of people as Hitler has done. That is why he has succeeded in leading such an astonishing following whithersoever he will.

The foregoing will perhaps help one to understand the simple primitive impulses on which Hitler continually plays in order to draw the masses to him. One may find them understandable, and even see in them much that is constructive for the preservation of Germany. But a person may well be shocked at the expression which Hitler and his people have given to the forces which they have mobilized, and wince at the anti-Semitism and the chauvinism which he is ever stirring up with such reckless skill.

It is important here to distinguish between the propagandist aspect of the Hitler movement and its realistic political aspect. On the one side it is devoted wholly to the acquisition of power, and so drives unscrupulously ahead as all such movements do. On the other side it has to consider the exercise of power, or at least preparations for such exercise. What National Socialism, once in power, will become under the pressure of adverse conditions, under the influence of the German temperament which is by nature disinclined to extremes, is the real question — a question not answerable today, but which the student of foreign affairs must consider quite apart from watchwords of the moment.

It is evident that Hitler himself is impressed by the fact that his movement is predominantly of an emotional character and is held together by sentiment. His movement lives in opposition and on opposition. How will it act when it is called upon to deal with the tremendously difficult concrete problems which confront Germany both at home and abroad? Can the movement be carried over into practical politics?

It is striking, in this connection, that recently Hitler and his entourage have declared that members of the National Socialist Party are to occupy no public offices in "the Third Reich." In "the Third Reich," the party would be just a power station for driving the state machine. In "the Brown House" in Munich, the headquarters of the party, many specialists of varying political complexions are at work on ways and means for dealing with concrete economic problems, and other sorts of questions. Hitler, furthermore, has recently been making connections with individuals of importance in the business world. The cabinet in

"the Third Reich" is to be a cabinet of experts. Inside the party, meantime, there is not a little quiet criticism of many deputies who were most unexpectedly swept into the Reichstag by the surprising triumph at the last elections. They now are not experienced, not competent, enough. They were good enough to run, but not good enough to be elected! The party leaders are well aware of all this. In Russia and Italy "the party" stands as a general directorate behind the administration, but it has also taken over high positions in the state. Hitler will have none of that. Efficiency is to be rewarded with tolerance. Even a Jewish minister of finance — the thing has actually been said — is not beyond the range of possibility. As regards anti-Semitism, there are proofs that in matters political Hitler recognizes not only the absolute, but also the relative! In practical terms, trouble will be made only for the "immigrant Jew" who has not "fitted himself in."

Little by little, too, it will be made clear to the masses standing behind Hitler that the movement cannot become active in foreign policy until it has attained its domestic goals. Hitler's emissaries went to Geneva with instructions to state to the French that Hitler "afterwards as now" will "regard a rapprochement between France and Germany as absolutely essential." That shows a point which this article set out to show: how plastic the notions of the National Socialist leadership can be. On January 26, behind closed doors but watched attentively by all the nation, Hitler made a speech before representatives of the Manufacturers' Club at Düsseldorf. The audience, made up of people who were eager for a glance at the dangerous demagogue, was in large part hostile. But he enjoyed a complete success. He was in a position to say things which worked just as effectively upon that select audience as upon the crowds of six thousand that flock to the Tennis Hall in Berlin. And that shows how elastic are the possibilities of the movement in its present stage of development. One may add, also, that it shows its political vagueness. But there is nothing vague about the millions of followers. They are formidably real; and it would hardly be sound statesmanship to ignore them.

Chancellor Brüning has had three interviews with Hitler since September 1930. The last took place in the full limelight of public attention and public curiosity. Dr. Brüning is one of the most significant statesmen that Germany has had in the last hundred years. He is no less a patriot than Hitler; and he has

an iron nerve with which Hitler is far from being blessed. He has a crystal-clear picture of the German life about him. It is inconceivable that the significance of such a movement as Hitler's has escaped Dr. Brüning. The contacts with Hitler did not lead to any common understanding — on good grounds, so far as Brüning is concerned: he is responsible for the stability of a most complex Germany, a Germany that is rapidly nearing a new economic crisis and is holding her balance only with the greatest effort. National Socialism is not, as the French say, "ministrible." It has not worked itself up to the point where it can be given a diploma in politics. It is torn within by conflicting currents. It has a half-Communist wing; it is quarreling over the question of participation in parliament, and over the question of the national Presidency; its leaders are not sure of their following, nor are they in agreement among themselves — their common basis is propaganda, rather than anything else. Hitler and his associates are striving to give a body to this young and obstreperous soul. That is Hitler's problem in particular; and to such an extent that many say he is afraid to assume power.

But to get hold of the energies that are expressed in National Socialism, and to use them, is also the problem of the men who are keeping Germany alive today — business leaders, the Government, everyone, in short, who represents tradition in German achievement. The surprising triumph of National Socialism at the polls has slowly awakened the routine parties to the issue. It has revealed to them a grand political task, on the performance of which the very existence of Germany may depend.

Let us imagine that the millions of German citizens who are today following Hitler prove to be disappointed. In that case no patriotic movement could have any chance in Germany for a long time. Economic distress and social unrest would then destroy the foundations of present-day Germany. The bourgeois Germany of moderate views — and the Social Democracy must stand with that Germany — is confronted with a technical problem. It has a gasoline tank before it. The tank may explode, with disastrous effects upon the whole country. But the tank also contains riches which may be cleverly used to drive many a profitable machine. Such is the alternative which the patriotic movement, born of unprecedented conditions, sets before the German people.

TRADE, TARIFFS, THE DEPRESSION

By Percy Wells Bidwell

NOTHING in recent history has so strikingly emphasized the need for international coöperation in the economic field as the business depression which now for over two years has weighed down upon the world. The central banks have taken the lead in devising emergency measures to prevent the collapse of currencies, and the Bank for International Settlements offers great possibilities for permanent financial collaboration. But the coöperative spirit which dire necessity has forced the governments of the great lending nations to display in the field of international finance finds as yet no counterpart in a field of coördinate importance, that of international trade. On the contrary, instead of inducing coöperation in commercial relations the depression has revived nationalism in its most aggressive form. Tendencies toward lowering tariff barriers have been stifled. Tariffs have been raised, new duties imposed, obnoxious restrictions revived and new devices invented for hampering the flow of goods from one country to another. And thus the depression has been deepened and prolonged. For tariffs are not only results of the depression; they are also among its causes.

The collapse in international trade during the past two years finds no parallel in the annals of modern business. For the fiscal year 1931 the export trade of 54 countries, representing over 90 percent of the world's total, was valued at 20.3 billions of dollars. For 1930 the value was 27.8 billions, and for 1929 it was 30.3 billions. In the two years the United States suffered a loss of 2.3 billions in its exports, amounting to 43 percent of their 1928-29 value. Eleven other important trading nations saw their sales cut more than one-fourth. Taking the world as a whole, the fall in exports (setting aside purely statistical differences) implies a corresponding and equal change in imports.

The disappearance of 10 billion dollars' worth of exports and an equal value of import trade in a period of two years has more significance than can easily be comprehended. Taken on a value basis alone, the shrinkage in money turnover meant ruin to a host of private business firms; it was responsible also for a falling-off in customs revenues that embarrassed many governments. But it is in relation to balances of payments that changes

in the values of exports and imports find their chief, one might almost say their tragic, significance. In these days of international borrowing and lending there are debtor countries in all parts of the world depending on a surplus in the value of merchandise exports over imports to provide the foreign exchange necessary for periodical interest payments. Their exports are chiefly food-stuffs and raw materials, commodities whose prices were first affected by the crisis. The result has been a drastic shrinkage in their trade balances. Six countries — Argentina, Australia, Brazil, Canada, Chile and India — had a combined trade balance of 274 million dollars on the credit side in the first quarter of 1928; their balance was 51 millions in the first quarter of 1931 but it was on the debit side. The resulting unfavorable rates of exchange, with exports of gold, were responsible for still further declines in export prices.

The quantitative changes in foreign trade owing to the worldwide decline in prices have not been as great as the value figures seem to indicate. Estimates for the United States, based on official statistics, place the quantitative loss in imports in the fiscal years from 1929 to 1931 at 19 percent and in exports at 31 percent. A recent League of Nations publication, "Course and Phases of the World Economic Depression," shows the changes in the volume of exports and imports of fifteen nations. Thirteen of the fifteen imported a smaller quantity of goods in 1930 than in 1929, and ten showed losses in exports. The losses in import trade ranged from 1 to 19 percent and in export trade from 3 to 18 percent. These figures are confirmed by the comparison of weights of merchandise imported and exported. Six countries — Germany, France, Italy, Czechoslovakia, Japan and Brazil — imported 89,938,000 tons of merchandise in 1929 and 76,214,000 tons in 1931; their exports in 1929 weighed 62,233,000 tons and in 1931 only 52,976,000 tons. It is this decline in actual volume of goods moving across national frontiers which the student of international trade finds of most significance. And it is in this respect that the present disturbance is unique. Previous business crises have indeed been accompanied by violent changes in the values of exports and imports but such changes were chiefly the reflection of falling prices; the quantities exchanged fluctuated little. Professor Wagemann has shown that during the depression of the nineties of the past century the volume of world trade dropped below the long-time trend by only 7 percent, and in 1907 by about the same

amount. Estimates on a similar basis for the first quarter of 1931 show a decline in volume of no less than 20 percent.

The meaning of what has happened can hardly be grasped from the mere statistical record. We need to visualize the enormously complex territorial division of labor or regional specialization which has been built up during the past century on the basis of continually expanding international trade. Notwithstanding protective tariffs, war and other impediments, foreign trade has grown from decade to decade, becoming an increasingly powerful factor in raising mankind's standard of living. Only because of an increasing volume of exchange with the newer communities of the Americas, Australia and Africa have the industrial nations bordering the North Atlantic been able to maintain and raise their standard of living in the face of rapidly increasing population. The whole economic organization of countries like Great Britain, Germany, Belgium and Italy is predicated on the continuance and expansion of export and import trade. Most of the main groups of German industries depend on export trade for from 10 to 50 percent of their sales. The important group of chemical, iron, engineering and electro-chemical industries, for example, sell from 10 to 20 percent abroad. About 25 percent of the total industrial output of Great Britain is exported. For countries in such circumstances, and even for the United States which exports only 10 percent of its production, a continued decline of foreign markets must necessitate a wholesale readjustment of industries with higher costs of production and a lower standard of living for the mass of the population. It means nothing less than a return toward self-sufficient economy, reversing the trend of industrial progress during the last century.

What has been the connection between trade restrictions ¹ and the depression? An intelligent answer to this question can be made only after a survey of the course of commercial policy in the years immediately preceding and during the depression. The years 1925 to 1929 cover a period of rapid industrial recovery the world over, but particularly in Europe. Rationalization was lowering costs in both industry and agriculture, currencies were stabilized, and the economic balance between Europe and the rest of the world was being rapidly restored. International trade increased more rapidly than production. With increasing pros-

¹ Including not only protective tariffs but all kinds of public and quasi-public interferences with export and import trade.

perity the demand for foreign products rose and there was a marked expansion in the trade in manufactured goods. It was only natural that better economic conditions should bring a movement toward more liberal commercial policies. The competitive struggle became somewhat less bitter and the long-time view of the advantages of freer trade gained greater recognition. It became increasingly evident that the multitude of restrictions which had been imposed upon foreign commerce by the necessities of war, and continued by the exaggerated nationalism of the post-war years, were hampering rather than helping the new expansion of business.

The hope of lowering tariffs and doing away with restrictions inspired the World Economic Conference of May-June 1927. Although the Conference was merely a deliberative body, the vigorous language of its pronouncements strengthened the position of statesmen and others the world over who were working for more liberal commercial policies. Its declaration that "the time has come to put an end to the increase in tariffs and to move in the opposite direction" became the battlecry of tariff reform. Attempts to turn the tariff program of the Conference into action began in October 1927 when an international conference assembled to discuss the abolition of restrictions and prohibitions on imports and exports. Their deliberations resulted in a multilateral treaty which was signed by the representatives of 19 nations. In it they undertook to abolish, subject to certain reservations, all restrictions and prohibitions of an economic character and to refrain in the future from the use of these obnoxious instruments of commercial policy. It should be explained at once that customs duties, whether protective or for revenue purposes, were specifically excluded from the treaty. It referred only to embargoes, licensing systems, the fixing of quotas and other super-protective devices. The treaty was signed by the United States and it was later ratified by our Senate. But it has never gone into effect. The necessary number of ratifications were made, but some of these were conditional upon the ratification by specified states. Finally, in June 1930 the success of the treaty hinged upon the action of a single state, Poland. Her decision not to ratify deprived the agreement of binding force. Nevertheless, seven countries, the United States among them, agreed to abide by its terms.²

² While negotiations on the main treaty were in progress, trade in hides, skins and bones was actually freed from prohibitions and restrictions by a treaty of 17 states effective October 1929.

A second objective set by the World Economic Conference was the stabilization of tariffs — the prevention of sudden and frequent revisions. For a year or two it appeared that this objective was in a fair way to be attained. Dr. Henry Chalmers found that in Europe the number of general tariff revisions decreased from 10 in 1927 to 5 in 1928 and to 2 in 1929. But meanwhile a good deal of instability had appeared in one part of the tariff field, that relating to agricultural products. Not only in the United States, but in Europe and practically all over the world, agriculture had experienced even more difficulty than industry in adjusting itself to post-war conditions. The mechanization of agriculture in Canada and the United States and the cheapening of ocean transportation intensified the competition of western cereals in the markets of Europe. In response to the demands for government aid, tariff duties were raised and a wide variety of other devices, new and old, were put into effect to enable domestic producers better to meet foreign competition. Requirements that millers use a specified proportion of domestic rye or wheat in milling flour were introduced, import quotas for cereals were fixed, and in a number of countries the trade in grain was made a government monopoly.

As the result largely of the renewed interest in agricultural protection the general level of European tariffs at the end of 1929 was slightly higher than it had been in May 1927 when the World Economic Conference assembled. The desire to check what threatened to be a renewed general upward movement in tariffs produced a number of schemes for "concerted economic action." Under the auspices of the League of Nations the so-called Tariff Truce Conference convened in February 1930. Its sponsors hoped to get agreement among an important group of countries not to raise customs duties during a period of one or two years, not to impose any new duties of a protective nature, and not to create any new impediments to trade. The conference was not successful. The treaty which finally emerged from its deliberations was weak and ambiguous and failed to arouse interest or support. No agreement could be reached as to the date when it should become effective and it still remains in suspense.

For Europe's change in attitude on tariff matters in 1930 the threat of the new American tariff must bear a large share of responsibility. During eighteen months European and Latin American business men had watched the tortuous progress of the Hawley

Bill and the Smoot Bill through our Congress. As duties on industrial as well as agricultural products were raised one after another to new record heights they saw the best market in the world being closed to their goods. In the face of this monumental event, their efforts to reduce European tariff barriers seemed hardly worth while. In a former issue of FOREIGN AFFAIRS the present writer described how Europe received the Smoot-Hawley Tariff.³ In spite of official denials it is clear that many of the foreign tariff revisions of 1930 were in the nature of reprisals. Six general tariff revisions occurred in Europe alone in 1930 with the general trend of rates upward. There was a general unsettlement of import duties and all but two of the governments of continental Europe made some changes in specified items during the year. The great majority of the new European duties were higher than the old. Renewed tariff activity was also evident among the Latin-American republics, at least five of which overhauled their schedules with the result that a majority of the new duties were higher than those which they replaced. In the British Empire, Australia made marked increases in her import duties, reinforced by restrictions and prohibitions; and an extensive upward revision was carried through in New Zealand. In Canada two successive general revisions of the tariff raised duties to new high levels. In both Canada and New Zealand the margin of British preference was increased.

In addition to the desire to hit back at the Americans, the downward turn of the business cycle was a powerful influence in reversing European tariff sentiment in 1930 and in giving momentum to the movement to raise barriers. As the depression spread and deepened, business conditions rather than American policy became the determining factor. In Western Europe, as in the United States, agriculture demanded protection from the violent decline in world prices of foodstuffs and agricultural raw materials. In the food-exporting countries also, for example in Australia and South America, the price decline inspired tariff revision. But in their case it was not the farmer who was to be helped by higher import duties, but the budget and the trade balance. The abandonment by England of the gold standard in September 1931 introduced a new occasion for raising tariffs, *i.e.*, protection against exchange dumping. British India, Canada, the Scandinavian countries, Finland and Japan all followed Eng-

³ See "The New American Tariff: Europe's Answer," FOREIGN AFFAIRS, October 1930.

land's example before the close of the year, and with each addition to the ranks of countries "off gold" the volume of trade restrictions increased. Moreover, countries still clinging nominally to gold imposed controls on dealings in foreign exchange which have added immensely to the difficulties of exporters and importers.

The year 1931 will stand out in economic history as the great year of protectionism. In January there was a general upward revision of tariffs by China, followed during the succeeding months by Chile, Canada, Paraguay, Estonia, Argentina and British India in about the order named. Seven in all, and all upward revisions. In addition a number of countries, including Mexico, Italy, China and the Union of South Africa, imposed flat surtaxes on existing duties which amounted to general upward revisions. A similar result was accomplished by Uruguay in requiring that 25 percent of all duties should be paid in gold; by Brazil in revising, several months in succession, the official ratio of paper to gold values; and by Australia when that country revised its method of converting foreign currencies for duty purposes. Including these, the number of general upward revisions is raised to fourteen. The crowning event of the year was the announcement in November that Great Britain had abandoned its traditional free trade policy. On November 25 the Board of Trade, pending the introduction of a general tariff bill, imposed emergency duties of 50 percent *ad valorem* on a long list of commodities.

Special or partial tariff revisions during 1931 ran well into the hundreds. Practically every important trading nation made some change in its import tariff, and increases in rates predominated over decreases in the ratio of 4 to 1. In Europe, the tariff tinkers of France, Italy, Germany, Poland and the Irish Free State were particularly active. All South American and Central American countries raised individual items; the tariffs of Argentina, Mexico and Cuba were in a continual turmoil. In the United States the President, with the help of his reorganized Tariff Commission, made 22 changes in rates of duty, 15 downward and 7 upward.

More disturbing in their immediate effects on international trade were the restrictions and prohibitions which were revised with new vigor. Excluding sanitary measures and others obviously imposed for non-economic purposes, we find that no less than 22 countries had recourse in 1931 to these, the most drastic

of all protective measures. Among European countries France was the leader in the employment of import restrictions. Some of the commodities which in 1931 might be imported into France only by license were coal, coke, lumber, sugar, dairy products, meats and fish. Poland also made liberal use of import restrictions. She fixed quotas on imports from the United States of soap, oranges, motorcycles, canned fish and canned pineapple at a certain weight of each commodity for each quarter of the year. The Baltic states extended their restrictions on trade in cereals and Sweden went so far as to declare the grain trade a government monopoly. Persia joined Soviet Russia in making all foreign trade a government monopoly. Embargoes on certain Russian products were declared by Canada, and Australia extended her embargo on sugar for five years. The smaller countries, not to be outdone, announced new restrictions; for example, Iceland restricted imports of canned goods and Tunis of fertilizers. Salvador, at the request of the printers' union in that country, prohibited the importation of linotype and similar machines for a period of five years as a measure to relieve unemployment.

Some restrictions were removed. Several countries producing raw materials for foreign markets reduced export duties as a means of offsetting the influence of falling prices. Mexico and Rumania, in particular, made substantial progress in freeing their export trade from restrictions. But from the world viewpoint their efforts were offset to a considerable extent by new export restrictions of Nigeria on tin, of Japan on rice, and of the Dutch East Indies on sugar.

Where will it all end? Obviously the nations have been led into the tariff orgy of the past two years by a wild spirit of *saute qui peut*. Each has been determined to ward off disaster from its own producers and its own finances by any means possible. And none was hindered by the knowledge that the inevitable result of such a policy, when relentlessly pursued by eighty or ninety sovereign states, is to drive world prices still lower, to reduce still further the volume of international exchanges, to swell the ranks of the unemployed in industrial centers, and to add to the prevailing financial confusion. For it is one of the plainest lessons from the experience of recent years that, far from being a cure, tariffs are to be numbered among the active causes of our present disaster. The instability in the world prices of crude foodstuffs and agricultural raw materials, which was one of the first signs of the ap-

proaching crisis, was in large part caused by the increasing obstacles which tariffs and import restrictions placed in the way of international trade in these commodities. Not only European critics but also some of the keenest observers in our own country hold the American policy of high protection responsible for the extraordinary accumulation of gold in the United States in the years 1922 to 1929, and for the frenzy of speculation and its aftermath.

If protective tariffs were in reality a cure for business crises, they would long ago have had a chance to demonstrate their efficacy. Yet study of the business annals of the years before the war shows that protectionist Germany and Russia were no more immune from periods of business recession than was free-trade England or The Netherlands.⁴ As a matter of fact the free-trade countries came off somewhat better than their protectionist neighbors. And in the United States, with its consistent record of high and increasing tariffs, business and financial crises were more frequent than in any other country.

But now new defenders of the tariff have arisen. The tariff is to be made an instrument of national economic planning. We are told to look at Russia, the only country of importance with a greater trade in 1931 than in 1929. What we are suffering from, it is said, is not too much tariff but not enough tariff. The world-wide depression is used as a vivid illustration of the dangers of international economic interdependence, and we have held up before us the merits of a self-contained and isolated state.

It is undeniably true that the specialization in manufacturing of Belgium, the United Kingdom and Germany exposes them to the danger of fluctuations in demand in any of their far-flung markets, and to the danger of uncontrollable variations in prices and supplies of the food and raw materials which they draw from remote sources. And it is true also that there are self-contained villages in the interior of China that have not yet heard of the depression and may never hear of it. The distance which separates such communities from the centers of trade and finance, and the difficulties of communication and transportation, cut them off more effectively than any tariff could from depression. But they are also cut off from prosperity and from all the civilizing influences of foreign trade. It is quite true that should the United

⁴ See "Business Annals," by Willard L. Thorp and H. E. Thorp, National Bureau of Economic Research, New York, 1926.

States choose commercial isolation her industrial system would no longer be in danger of shocks from without. Business crises in foreign countries would no longer affect us. But no tariff wall can protect us from shocks from within, and these might even be the more disastrous because of the very fact of isolation. For foreign trade often acts as a safety-valve for domestic business. More than once an impending crisis in the United States has been warded off by a favorable turn in export trade, and more than once a period of depression has been shortened by the same beneficent influence.

But even if immunity from business crises were to be purchased by commercial isolation, could we afford it? Would not the cost be too high? Consider first that any further curtailment in our imports would be certain to affect our exports. Are we prepared in the interests of self-sufficiency to sacrifice the profits of hundreds of thousands of our cotton planters, tobacco planters and wheat growers, and the growers of the millions of bushels of corn which eventually, in the form of pork products, find their way to foreign markets? And where, if we are to carry self-sufficiency to its logical conclusion, are our makers of automobile tires to find 500,000 tons of rubber each year, our canneries their tin, and our farmers their binder twine? But even assuming that the necessary vast readjustments in industries and occupations could be carried through successfully — that is, without too great a decline in our standard of living — what would be the effect on our financial position?

If this depression has proved anything it is that international trade and international finance are fundamentally inseparable. We can shut off the flow of goods, but if we do we shall at the same time dam the outflowing stream of capital exports and the inward flow of interest from our foreign debtors, and of capital repayments. One cannot but admire the single-mindedness of those who, understanding these facts, still demand isolation. But for most of us the abandonment of 18 billions of commercial obligations, to say nothing of war debts, is too great a price to pay for the doubtful benefits of commercial isolation.

If not isolation, what then? Are we on the horns of a dilemma? Perhaps not. There is a way out, the way of concerted action, of international economic coöperation. At present this may seem a romantic dream. But when prosperity begins to return the nations, in small groups or in large, will meet to grapple again with

the problem of trade restrictions and tariff barriers. The United States has everything to gain and nothing to lose by joining in a concerted effort to remove restrictions and prohibitions on imports and exports. For thus far we have made no use of these weapons to protect our home markets, and it is undeniable that restrictions imposed by foreign countries greatly handicap our exporters and threaten our supplies of important raw materials.

We shall probably continue to regard our import duties as a domestic question. To predict the date when on our own initiative we shall carry through a downward tariff revision would be foolhardy. For here we have to reckon not only with the opposition of protected industries but also with the dead weight of tradition, supported often by ignorance and superstition. But the business crisis of 1929 may mark the opening of a new era in American commercial policy. It is a principle so familiar as to be almost axiomatic that economic policies, even those which at a given moment appear most inflexible, are eventually responsive to changes in economic conditions. Such adjustments are not immediate; some lag must be expected. For example, our policy of restricting immigration followed several decades after the disappearance of the frontier and the exhaustion of free land. The epochal change in our recent history is our transition from a debtor nation to the world's greatest creditor. Sooner or later this change must bring a modification of our exaggerated protectionism. The process of change, slow as it may be, will be hastened by the events of 1929-1932. One of the compensations of disasters is that they jolt us out of our ruts of thought and action and hasten many an incipient reform.

BÜLOW AND THE WAR

By Jules Cambon

IT WOULD be hard today to find a German willing to admit that in 1914 Austria deliberately took the initiative in starting hostilities, and that Germany, far from restraining her, upheld, encouraged and seconded her in that most hideous of adventures. Indeed, one of the most striking political phenomena of post-war Europe is the unanimity that German opinion has attained on the subject of Germany's innocence. The German people distrust individualism in politics, as in other spheres of life; in this unanimity, then, there is something peculiarly Germanic. Kiderlen-Wächter, when Secretary of State for Foreign Affairs, often told me in Berlin that his country, more than any other on earth, was capable of adopting one common opinion, and that thanks to that trait the press was easily able to direct trends in public thinking.

One should add that growth in democracy tends to develop in nations a conviction that they are not responsible for things that happen. Everywhere the masses set themselves more and more clearly apart from their governments and are wont to blame any mistakes in policy on the latter exclusively. This feeling of irresponsibility, supported by ignorance and incompetence, is natural — and decidedly dangerous. For the reality is, meantime, that nations, seen from the outside, are not distinguishable from their governments. It is through the agency of their governments that they negotiate, make alliances, quarrel. The ministers who represent them have no other authority than the fact that they do represent them. As the democratic spirit grows, the conduct of affairs of state comes to depend more and more upon popular behavior; between peoples and their ministers prevails a sort of constant collaboration; and in that lies the real source of the strength that statesmen have. Bismarck himself, whose violent struggles with assemblies will not be forgotten, succeeded in mastering the opposition which he affected to despise only because at heart he was at one with the instinctive feelings of the German nation. That was why, after throwing his own party overboard, he was able to realize that unity which had all along been the very thing his adversaries had unconsciously been aiming at.

Again, German opinion enjoys playing with complicated notions, and in passing judgment on the events leading up to the Great War it is careful to mix historic epochs: it insists, as we say, on "going back to the Flood." Quite deliberately it ignores the period during which (in the face of all efforts of the French and British Governments) the catastrophe of 1914 was being brewed and was being rushed to a climax. Those Governments unceasingly proposed measures, conferences, conversations which would have found some peaceful issue from the dangerous situation. But they brought up short on the resolve of the Austrian Government, which was bent on war, and on the obstinate refusal of the German Government to make Vienna see reason. Like Bismarck when in 1870 he declared that he was making war on Louis XIV and avenging Conradin of Hohenstaufen who had died in Naples in the thirteenth century, public opinion in Germany today loves to invoke the past — where it helps confuse the issue. It harks back to those troublous and uncertain years when, frightened by the military provisions of her redoubtable adversary, France was seeking friendships among the nations about her and was increasing her own means of defense. It thus manages to create a fog in which it is no longer possible to distinguish the truth.

I was, in my time, Ambassador to Germany. I remember the day when the Imperial Government, eager to increase the strength of its army, decided to call upon private fortunes, and by a lump tax required certain rich individuals to contribute to the development of the military machine. France was worried, and M. Barthou, our Premier at the time, tried to offset this new danger by establishing the three-year term of military service. Berlin was scandalized and regarded as an overt provocation what was only a rejoinder.

It is at bottom a similar — and rather naïve — sense of not being responsible which is leading German opinion today to fall back on the remote past to escape reproach for the events in 1914. To pass judgment on those events one need only to remember the threats which William II addressed to the King of the Belgians at the end of 1913; to remember the language in which Maximilian Harden declared, in the *Zukunft*, that Germany had insisted on war and that victory was justifying her for having done so; or to turn back to the words of Chancellor Bethmann-Hollweg, who, at a moment when the people of Berlin felt sure

of victory, did not hesitate to admit, from the rostrum in the Reichstag, the irregularity of the acts of the Government over which he was presiding.

It has not, furthermore, been generally enough observed that Italy's attitude on the eve of the war and during the early stages of hostilities would be unexplainable if responsibility for the conflict did not fall upon the two principal Powers in Central Europe. Italy parted company with her allies because they had taken the initiative in war without consulting her, as the terms of the Triple Alliance required of them, and without paying any attention to her legitimate criticisms; and because that initiative in itself put the two Powers in question in the position of aggressors. In August 1914 Italy proclaimed that Germany and Austria had thereby broken the terms of the Alliance which had bound them to her, and had thus freed her from all obligations toward them. Shortly after the outbreak of hostilities, and after my return to France from Berlin, I went to Rome. I had known the Marquis di San Giuliano, the Minister for Foreign Affairs, for many years. I called on him in his room where he lay sick — as the event proved, sick unto death. I remember his words. Nothing could equal the severity with which, at that solemn moment, he characterized the conduct of Italy's former allies and described the uprising of Italian national sentiment against them.

In view of all this it is easy to understand the unfavorable reception which has greeted the recently published memoirs of Prince von Bülow in Germany,¹ for they are in absolute contradiction with the state of German sentiment to which I alluded at the beginning of this article. Consider, for example, the harshness which the author evinces toward his successor as Chancellor, the rebuke which he administers to him for having admitted the illegality of the entry of German troops into Belgium and, having once made the admission, for not having at once retracted it. These memoirs, of course, as is the case with other memoirs, sometimes slightly alter the truth for the greater glory of their author; but they do not falsify the truth altogether; and it would be as serious an error to disregard them as it would be to trust their every detail. Since their publication, moreover, we have

¹ "Fürst von Bülow: Denkwürdigkeiten." Berlin: Ullstein, 1931, 4 volumes. The American edition is published by Little, Brown (Boston), the British edition by Putnam (London), the French edition by Plon (Paris). In the American and British editions only two volumes have so far appeared.

been given the secret correspondence² between William II and von Bülow while the latter was Chancellor, and those letters throw light upon the memoirs and show by just what sentiments those two powerful and interesting personages were inspired.

Bernhard von Bülow was quite as much a prince of the mind as he was a Prussian nobleman. He was an irresistible person. His conversation was charming, his culture vast and profound, and I have never known a man with a mind more open.

His father had been for many years in the service of Denmark; thence he had moved on, first to the service of the Grand Duke of Mecklenburg-Strelitz, and thereafter to the service of the Grand Duke of Mecklenburg-Schwerin. Finally Bismarck, who had a high regard for his talents, offered him a post, and so he came to be Secretary of State for Foreign Affairs of the German Empire. He was a man of distinction; but his successive changes of nationality cannot fail to strike one as surprising; for the interests of Denmark, the Mecklenburgs, and the Empire were after all very different interests. Chancellor von Bülow, it would seem, inherited from his father a certain detachment toward the powers whom he served. He had what one might call independence of mind and perhaps of heart. He was none the less zealous in service on that account, but he preserved an unbiased mind — which explains many things, notably elements that may seem contradictory in the devotion which he professed for the Emperor William II so long as he was Chancellor, and in the manner in which he really judged him and in which he treats him in his memoirs.

In the sphere of politics, Prince von Bülow was merciless, as he proved in connection with Poland. He persecuted Poland, and one of the grievances he has against his successor is that the latter should have allowed himself even to consider a possible reëstablishment of Poland. He prided himself on following the example of Bismarck; yet there were many differences between him and his supposed model. Bismarck, in the first place, was a man of uncompromising temperament and was devoted to his own handiwork. He had made Germany, and he had sacrificed to that cause not only his personal comfort but even his personal feelings. He had changed parties in the interests of his cause. He had begun his career in the party of reaction; then he had, as it seemed, deserted his friends of the first hour to achieve German

² "Correspondance secrète de Bülow et de Guillaume II." Paris: Grasset, 1931, 265 pp.

unity with the National Liberals. Toward the end of his life he seemed to swing back toward the Right again. Really he was unwilling to merge himself in any party. In the course of all his fluctuations of allegiance he had a single purpose in mind: the consolidation of the Empire which he had built. Looking abroad, it was his idea to forge among the three northern Empires—Austria, Germany and Russia—a union similar to the Holy Alliance of former days which had been ostensibly designed to uphold the monarchical principle. He formed a close association with the government at Vienna; but he was careful to sign a reassuring agreement with the cabinet at Saint Petersburg. His great complaint against Emperor William II and his own successor, Chancellor von Caprivi, was for their having allowed the guaranty of security for Germany, embodied in that agreement, to lapse. He hated France. He had conquered that country; but she was not dead, and he viewed with uneasiness the element of risk that might lurk in another war. His hatred, furthermore, was a chivalrous thing, taking due account of the feelings of his adversary. Thus, far from opposing the colonial development of France, he promoted it, trying to find an outlet for French activity in that direction. Utter realist that he was, he favored the occupation of Tunis by France and was willing to open Morocco to her also.

Prince von Bülow did not have any such breadth of vision nor any such creative intelligence. He had a mind of great suppleness and strove to model his conduct to suit events—in particular, to the changing caprices of William II. He sought, courtier that he was, to give continuity and coherence to the Emperor's views, and in that direction he went to extremes. He remained imperturbably the ally of Austria, but without conserving his freedom of action therewith, as Bismarck had done. In his hands the Austrian alliance became a strictly interdependent relationship which eventually brought the two Empires to ruin. He stated in print that France was a decadent nation, and he despised her. He dealt with France frivolously and entirely without caution. Whereas Bismarck realized that France had to live, and found a place for her colonial policy in his outlook, Prince von Bülow bluntly crossed her path and disputed her expansion in Northern Africa.

In his memoirs Prince von Bülow has two objects in view. He seeks to prove that while he was in power his conduct and his

policy were at all times pacific, and he seeks to prove that if the Emperor had kept him at the head of the government he would have avoided war.

Two very debatable contentions! It is easy enough for Prince von Bülow to argue the harmlessness of his policy on the ground that so long as he was in office no war occurred; but the question is rather whether, by the quest for prestige which he pursued for his personal satisfaction, he did not bring Europe to such a state of nervous tension that, after smoldering underground for a long time, the flames finally burst out in 1914. The Chancellor always kept in close touch with that curious individual, Baron von Holstein. Von Holstein had personal predilections of a most passionate sort and his influence at Wilhelmstrasse was great. He had drawn aloof from Bismarck, and whatever his ideas chanced to be, he preferred to keep them secret. The ambassadors of other countries did not know him, for he preferred not to be known, considering mysteriousness better adapted to shrewd policy. He even avoided the Emperor: at one time he was thought to have fallen from favor, and it was the general impression that he was altogether out of touch with affairs. That was a misapprehension. Von Bülow was taking him into his confidence all along, even consulting him on the wording of telegrams. On one occasion a friend of King Edward VII, Sir Ernest Cassel, passing by chance through Berlin, paid a visit to the Chancellor; and since he had met von Holstein he inquired after him. "Would you like to see him?" von Bülow answered. "He is here." And he directed Cassel to an adjoining office. Such an intimacy was significant; it also was replete with dangers, for von Holstein lived too far apart from the world to have impartial views on things. Nor did he have any perception of moral forces. That is why he felt free to disdain any consideration of French aspirations, and thereby overstimulated them, giving France a singular power of attraction for all peoples over whose feelings Germany was riding roughshod.

The attitude of Prince von Bülow toward the policy of the French Foreign Office was in harmony with the views of von Holstein. That was why he wrote, in 1905, that Germany had embarked on the Morocco venture out of considerations of prestige, pure and simple; and that confession illuminates, along with von Bülow's policy, his personal temperament. In fact, one is surprised in reading the von Bülow memoirs at the rôle which

the author's vanity plays in them. They are an apology designed to justify whatever he did and, more than that, to increase his personal stature. Manifestly, and diplomacy quite aside, he is what one might call in the vernacular a man "on the make." In his fourth volume he speaks of his marriage to Donna Laura Minghetti and complacently underlines, meantime, his successes with the fair sex. In a man of his great intellectual distinction such indiscreet presumption leaps to the eye. At bottom the same self-satisfaction expresses itself in all his conduct and explains many things.

To be sure, Prince von Bülow had to deal with Emperor William II, and that was by no means the least delicate aspect of his task. The Emperor was a man ever doing the unexpected thing, often following the lead of a lively imagination, and at times "seeing straighter" than the Chancellor himself. He was more or less uncertain as to what he really wanted, and at times abruptly changed his views. He was not without talent as a speaker; but his eloquences sometimes carried him too far — for he loved to talk. The speeches he made at Bremen and Döberitz became known to the general public and filled reasonable people with alarm. He was sensitive and high-strung. Nowhere does his temperament appear more clearly than in the extraordinary letter which he wrote on August 11, 1905, to Prince von Bülow. Von Bülow had offered his resignation in consequence of a disagreement with his sovereign, and the Emperor was trying to retain him. He reminded him that he, the Emperor, would never survive such a misfortune, and besought him to think of his poor wife, the Empress, and their children! The letter was afterwards published, and in spite of everything it still gives ground for astonishment. Yet, for all of such bubblings of sentiment, the Emperor is careful to remind von Bülow that he is just a tool in the imperial hands, and that at the instance of von Bülow and against his own inclinations he had landed at Tangier in order to enable von Bülow to win a point in his policy. So this enthusiastic friendship overlooked nothing; and we get an insight into the underlying realities of these two men's relationship. Both of them seemed to surrender utterly to the sentiments which they professed to have for each other; at the same time they viewed each other without mercy; and when finally they parted company, each showed clearly how he really felt. The Prince is implacable toward the Emperor in his memoirs, and

he forgets all the protestations of devotion with which he was once so lavish.

The Chancellor regarded the landing at Tangier as a triumph. In reality, it was a defeat for the Berlin Government. Von Schoen, who accompanied William II on his voyage, declared that in this whole business his Sovereign saw more clearly than did the Chancellor. The Emperor was against the landing. He thought it a risky step to take. It could only arouse uneasiness in France; and since the Moroccan Government had made preparations to receive him, he might be placed in the position of slighting it. In spite of his great delicacy of perception, the Chancellor was not aware that there was a deal of personal vanity in that whole demonstration — which in itself amounted to nothing.

It was the same with the Algeciras Conference, into which von Bülow drove France by bringing all the weight of his prestige to bear upon her, and which occasioned the fall of M. Delcassé. Before the Reichstag von Bülow represented it as a success for Germany, and he takes the same attitude in his memoirs; in reality, it arrayed against Germany the Powers which at that time sided with France.

On another occasion — the one, in fact, which brought about von Bülow's resignation — one may ask whether he had really measured the consequences of his acts, and whether, in order to justify his conduct, he does not alter the truth in his memoirs. I am referring to the publication in 1908 in the *Daily Telegraph* of the Emperor's famous interview. At that time Zimmermann was Under Secretary of State in the Ministry of Foreign Affairs; and he has stated in an article in the *Süddeutsche Monatshefte* for March 1931 that the Emperor had communicated the interview in question to Prince von Bülow, then at Norderney, with express orders to examine it personally and not to send it to the Ministry. The publication of the interview scandalized and exasperated English opinion, and, to a still greater extent, public opinion in Germany. Things went so far that, if we are to believe the Prince's memoirs, certain members of the *Bundesrat* were reported as wondering whether the Emperor ought not to abdicate. In that extraordinary interview, William II came out as a friend of England, not sharing the feeling of the majority of people in Germany. He claimed, in the same fantastic document, that he had sent to his grandmother, Queen Victoria, a plan of campaign to be followed against the Boers, a plan that coincided, in large

part, with the one carried out by General French. He also maintained that in 1899 he had refused to have anything to do with proposals which France and Russia had made to him against England. Finally he declared that he had suggested to the British Government that the English and German fleets in the Pacific should combine against China and Japan.

Prince von Bülow declares in his memoirs that, being overcrowded with work at the time, he did not read the draft of the proposed interview, but sent it on to the Ministry in Berlin to have the necessary corrections made in it. This involved a double disobedience of the Emperor's orders. The case would be all the more serious since, according to Count von Wedel, Herr Jenisch (who was a relative of Prince von Bülow and represented the Ministry of Foreign Affairs in the Emperor's suite) had written to the Prince personally to advise him of the Emperor's understanding that the draft of the interview was submitted to him privately and should not be taken as addressed to the Ministry. Herr Zimmermann, furthermore—his veracity cannot be doubted—observes that in his final report the Chancellor had made changes in the text as corrected by the office staff, which would indicate that he had read the document. In reality, therefore, instead of asserting that he had no knowledge of the interview, Prince von Bülow would have done better to confess that he altogether misjudged the significance of the declarations which it contained.

The Prince's attitude was still more embarrassing to the Emperor when the matter came up before the Reichstag. He did not defend his Sovereign, and, noting that the words of William II had caused a profound sensation in the country, he declared that thenceforward the Sovereign would observe even in his conversations a restraint indispensable to a consistent public policy and to the prestige of the Crown. I have often wondered how Prince von Bülow could have used such language. It is clear that he thought he could; and, in fact, he enjoyed a great success, that day, with his speech from the rostrum. Shortly before that he had expressed to me his envy of English statesmen for their situation *vis-à-vis* the Crown; and I am inclined to think he judged that the Emperor was more considerably weakened before public opinion by the interview in the *Daily Telegraph* than was really the case. With the support of the Reichstag he thought he could deport himself with an independence analogous

to that of British ministers. In the course of the next year the Emperor allowed him to sense the extent of the imperial disappointment; and when "dear Bernhard," to use the expression frequent on the Sovereign's lips in the good times, handed in his resignation on the defeat of his tax bill in the Reichstag it was forthwith accepted. The Emperor made no threat of suicide on that occasion. The Chancellor seems never to have been aware of any note of mistrust toward him in the demonstrations of affections with which the Sovereign was always overwhelming him; but, in my judgment, he was mistaken, and especially in connection with matters of foreign policy.

The Chancellor's secret correspondence with William II illuminates the memoirs and enables us to evaluate many of the assertions in them. Though Prince von Bülow professed the greatest caution, he took war, as his Emperor took war, as a sort of game at cards, not reflecting that the essence of gambling is the risks one runs. That explains the injudiciousness of his conduct toward France. If he could gain a point of prestige in the eyes of his countrymen he had no qualms about reopening the wounds left in the vanquished of 1870. He despised those whom he considered weak. That was why, in a letter of July 30, 1905, outlining the course that Germany should follow in the event of a war crisis, he thought that Belgium should be called upon to declare, *within six hours*, whether she would be with Germany or against her. And he added: "We would at once enter Belgium, *whatever her answer*." Such a declaration at such a date is alone enough to nullify the claims of those who hold that Germany had no intention of going to war before 1914. For that matter, as far back as 1904, the Emperor had made to the King of the Belgians, Leopold II, then on a visit to Berlin, the same threatening confidences which he made to King Albert I in 1913. The invasion of Belgium was not, accordingly, made on the moment's impulse, and had no relation to any direct threat by the French army. Bethmann's deed had already been Bülow's thought.

As for Italy, von Bülow had no great confidence in his alliance. He used to say, moreover, that in politics one should not be over-conscious of services rendered. In his eyes, Rome's participation in the Triple Alliance was good for peace times, and more as decoration than anything else; and in 1904 he wrote that it would be a good idea to worry Italy as to the consequences of a

rupture with Germany, to prevent her from doing anything that might change her flirtation with France into a permanent liaison.

Prince von Bülow was more concerned about Russia. His master, Bismarck, had never forgiven the Emperor, nor his own successor, von Caprivi, for allowing his reinsurance compact with Saint Petersburg to lapse. Italy's presence in the Triple Alliance seemed to give von Bülow a security somewhat similar to what he would have had in that old pact. However, in 1898, the attitude which the Emperor adopted toward Tsar Nicholas II filled him with alarm. At that time the Emperor of Russia proposed an international conference on disarmament (uttering, as Napoleon III had done before him, that word which harbors so much illusion). Emperor William II was aroused by the proposal, and von Bülow's memoirs relate that he drew up for the well-intentioned "Nicky" a telegram holding the notion up to ridicule; for, deep down in his heart, he considered war as a game at which Germany could only win. Emperor William's demeanor toward Nicholas II varied with the whims of his exuberant fancy. So, on the eve of the outbreak between Russia and Japan, he encouraged Russia to go to war. He lived in terror of the Yellow Peril, and went so far as to predict that if the Japanese were victorious they would be turning up in Moscow, and perhaps even in Posen. In point of fact, he was anxious to divert the Russians from the west, and he was certain that they would win.

A serious circumstance put the Chancellor at odds with his Sovereign. On July 24, 1905, William II had a meeting with Nicholas II aboard the latter's yacht at Björkoe; and after a tearful conversation he managed to obtain from the tender-hearted Russian the signing of an agreement whereby Russia and Germany mutually undertook to support each other by arms *in Europe*, should one of them chance to be attacked. The Russian Emperor was even expected to bring France into the combine; for William II was always fondling the notion that France, weakened as she was, would some day end like Austria by abdicating into his hands. The Russian accord was directed exclusively against England. Now von Bülow nourished for England the same sentiments of hostility that Bismarck had felt in his day; but the proviso in the Björkoe agreement, whereby the eventual assistance which Russia would be called upon to lend to Germany was limited to Europe, impressed him most

annoyingly as precluding the assumption of any attack on his part on British domination in India. He therefore begged the Emperor to cancel from the compact the two words "*in Europe*," and wrote to the Tsar in that connection a very interesting letter which is not published in the memoirs. In it he again revealed his contempt for humane sentiments. He said that if France stood by England the regiments of Russia would doubtless be interested in the prospect of plunder in "beautiful France," and that, to prevent France from joining England, one ought to consider whether it would not be possible to find some territorial compensation for her in the direction of Belgium. The whole scheme fell overboard. On returning to Saint Petersburg, Nicholas II found that his minister, Lamsdorf, flatly refused to sign the treaty of Björkoe; and the Tsar, finally enlightened as to his undertakings toward the Paris Government, which William II was fond of alluding to as "those bandits," wrote "those bandits" that it was his intention to honor the signature of his father. That was the end of the fantastic *entente* of which the Emperor of Germany had dreamed. Von Bülow found in the fiasco a justification of his own attitude. Not that he was not nourishing his own illusions: for he insisted that Russia would never make common cause with France against Germany.

In reality, in the eyes of von Bülow as in the eyes of his Sovereign, the enemy against whom precautions had to be taken was England. On this point they were both in accord with the opinion prevailing generally in their country. King Edward noted the fact as far back as 1901. In the course of a visit which he paid to Germany at that time he was impressed with the hostility of the population toward England; and Prince von Bülow has stated in print that Miss Charlotte Knollys, at the time lady-in-waiting to Princess Alexandra, remarked to him that expressions of friendship between the two sovereigns and governments would do no good, because the two peoples stood glaring at each other like two china dogs. Underlying this animosity was surely the naval question. Prince von Bülow was convinced that since England imported virtually all her necessities from abroad — even food — a maritime blockade might in a few weeks bring her to terms. That conviction doubtless impelled Germany, during the war, to her submarine outrages. Admiral von Tirpitz was bent on endowing his country with a strong navy, and Chancellor von Bülow lent him his support.

He was forgetting that in 1900 the London Government had offered to strike a naval bargain with him and that he had declined the offer. Mr. Chamberlain, who had made overtures for an understanding with Germany, declared in 1902 that in view of the uselessness of his efforts he would have no further dealings with von Bülow; and I was an eyewitness to the fruitless efforts of Lord Haldane, who was sent in behalf of the British Government to try to effect an understanding with Berlin. In October 1908 von Bülow was beginning to see that the antagonism between the two Powers was becoming more marked. He would have liked to reverse engines; but it was too late for that, and his policy was destined to end in the catastrophe of 1914.

In my judgment, however, what contributed to the disasters of the Empire to an even greater extent than did the Chancellor's blindness in connection with England, was his policy regarding Austria. In 1909 he declared that the basic principle of German policy was to support Austria in all her aims. A devotion so Nibelungenesque could imply nothing less than an abdication into the hands of Austria, since it deprived Germany of the freedom of action which Bismarck had always made a point of retaining. I have often pointed out that Prince von Bülow made a grave mistake when in 1908 he refused to submit to international ratification, as a mere matter of form, Austria's annexation of Bosnia-Herzegovina, which the Congress of Berlin had entrusted to her administration. And I have reiterated that by his conduct on that occasion he inspired the Vienna Government with the notion that with Germany's support it could go to any lengths; and that if, in 1908, Austria had been made to feel that she was going too far and had to reckon with others, later on, in 1914, she would doubtless not have issued that extraordinary ultimatum which let loose the monster of war. Prince von Bülow thought that a European concert, designed to pass on events growing out of Austrian policy, would be as little profitable to the interests of Germany as to those of Austria; and he often said that those two Powers formed a block against which no tempest could prevail. That was what he wrote in 1909, and the words contain the whole genesis of the war of 1914.

It follows that I cannot accept the thesis sustained by the Prince in his memoirs, the thesis, namely, that he is absolutely innocent of anything that happened after his retirement from office, and that Bethmann-Hollweg, his successor, is alone re-

sponsible for the war. Bülow did not fight the war; but he piled up in Europe all the reasons and all the resentments that made war inevitable. He did so to gain prestige for his own policy: he slighted France systematically; he irritated England; he gave Austria a license to do what she pleased. He has no occasion, therefore, to be surprised that all the animosities which his policy aroused should have combined against Germany.

That much suffices to show that Bethmann-Hollweg does not carry the whole burden of responsibility which his predecessor would lay upon his shoulders. Prince von Bülow has his share of the responsibility. Bethmann-Hollweg has noted that von Bülow left him a desperate inheritance; that England, France and Russia had already come together; that Japan had joined them by virtue of her treaty with England; that Italy was drawing closer to them. The man of the ultimatum to Serbia and of the invasion of Belgium was, to use a characterization in the memoirs, evidently not a diplomat. His knowledge of Europe was, perhaps, inadequate; but he had assured his predecessor that he intended to follow the same policy that he had followed; and that is what he did. When in July 1914 Austria hurled her ultimatum at Serbia, Lord Grey made four separate efforts to get the Austro-Serbian conflict submitted to a discussion by the European Powers. The German Government rebuffed those proposals. As Prince von Bülow had done in 1908 in connection with the annexation of Bosnia-Herzegovina, it proclaimed that the matter concerned Austria only and that Germany would do her duty as an ally. In reality the fault one may find with Bethmann-Hollweg is that of having imitated von Bülow too scrupulously. At that time, alarmed by the repeated refusals that issued from the Berlin Cabinet, I inquired of the Secretary of State for Foreign Affairs whether Germany had undertaken to follow Austria to any length with closed eyes. Von Jagow replied that it would have been offensive to Austrian dignity to set up the nations of Europe as a sort of arbitration court — and in so saying he was only repeating words that Prince von Bülow had himself uttered. What would Prince von Bülow have done, had he been Chancellor? He would perhaps have yielded to the same sentiment; but when he wrote his memoirs the catastrophe had occurred; and naturally, after the event, he prophesied that he would have avoided it.

As a matter of fact, von Bülow was perfectly aware of the

exaggeration and the danger involved in Austria's ultimatum. Everyone in Germany, in all sincerity, lamented it; but no one was willing to confess to such a feeling. The Emperor was resolved to follow his "brilliant second." Bethmann-Hollweg said that it was merely a question of helping Austria to execute her wishes, and that if in the end war could not be avoided it was a question of ameliorating the conditions under which it would have to be fought.

At bottom it was Germany's overconfidence that led her astray. She plunged into the terrible adventure because she felt certain of success. She relied implicitly on that wonderful machine, the German army. Everybody — the Emperor, von Bülow, Bethmann-Hollweg, the lowliest German in the streets — was convinced that the war could end only in triumph.

People in France have learned not to prophesy. My memory goes back to 1866. I heard it said at that time that Austria would win. And in Paris, in 1870, people hoped in the strength of the French army. And yet in 1866 and in 1870 the losers were Austria and France. People in Berlin were mistaken in 1914. Whatever the might of German arms, the outcome proved that it is rash to expect too much of might alone; and I do not believe that if he had been in power in 1914 Prince von Bülow would have foreseen the future.

NEIGHBORS

A CANADIAN VIEW

By R.

THE relations of Canada and the United States are unusually intimate and important, and will become even more intimate and more important as the Dominion grows in population and power and as the United States becomes more conscious of that growth than she is at present.

It is true, of course, that they loom far larger in the eyes of a Canadian than of an American. That is natural. The United States is a great World Power, with interests and contacts in every corner of the globe. If Americans cannot indulge in that Britannic boast that the sun never sets on the Empire they can console themselves with the thought that it never sets on their influence. Canada, on the other hand, as an international unit, is at the very beginning of her career. In world affairs, as a state apart from an empire, she has hardly commenced to make her influence felt. At the present time, indeed, she really has only two immediately important external problems: first, her relations with the other members of the British Commonwealth of Nations; and second, her relations with the United States. All else is subordinate to these, and the Dominion's external policy must for some time center about their handling.

The phrase "Canada's relations with the United States" almost invariably brings to the American mind a vague reminder that Canada is a sort of northern extension of the United States, a delightfully wet place for a vacation; that there are millions of American dollars and hundreds of American branch factories in Canada; and that the Dominion, in spite of tariff walls, is the Republic's best customer — a proud position for any country to achieve.

It is not intended here to examine these more material aspects of our relations, but rather those which, in default of a better word, may be designated "political." More particularly it is desired to touch on two phases of these political relations: the first, certain influences affecting Canadian-American relations; the second, certain problems arising out of these relations, considered in the light of those influences.

In respect of the first, there are certain obvious influences

such as our common language, our common inheritance, geography, history, trade — those things which are the inevitable ingredients of every public utterance on this subject. They may be dismissed with mere mention, along with the four thousand miles of unguarded boundary and the hundred years of peace.

There are, however, two other influences, less obvious but not less important, which affect and will continue to affect the relations between the two countries. The first is Canada's position as a Dominion in the British Commonwealth of Nations. The importance of this in Canadian-American relations has not been sufficiently emphasized. The British Commonwealth, in its organization, is not freezing — British institutions do not do that — but it is, at least, being consolidated. It would appear, for instance, that Canada has now reached a point where she is perfectly satisfied with her position as a Dominion in that Commonwealth. Why not? She has all the advantages of independence, without some of its obligations, and at the same time she has the prestige and the benefits, material and otherwise, that go with membership in a great political society. Canada, in fact, is one of the few states that can have its cake and eat it, and a Canadian is in the fortunate position of being able to say in far corners of the world "*civis Britannus sum*," while at home he can shout "*Canada First*." To put it in another way, Canadians can go out into the international rain if they care to, but when they get drenched they can always scramble back under the Imperial umbrella.

Now this position of Canada as a virtually independent state in a British Commonwealth means that the relations between Canada and the United States, so far as the former is concerned, will be under the exclusive control of the Canadian Government. It is far from certain, however, that this is going to make the conduct of those relations any easier for the United States than it has been in the past. Canadians have a feeling that before the Dominion was given the honor of running her own affairs, Great Britain, in controversies between colony and Republic, taking what she considered the larger view of the interests of the Empire as a whole, had to sacrifice at times the interests of Canada. In the future, no Canadian Government is likely to leave itself open to that reproach. Canada may be relied on to protect her interests possibly a little more tenaciously than Great Britain did. If a sacrifice is to be made of immediate interest for the larger

value of international goodwill, it will be made by Canada and by nobody else. One might go even further. The former colony may turn the tables on the Mother Country and ask her to sacrifice certain things, which may seem to be to Great Britain's advantage, for the sake of the British Commonwealth as a whole. Indeed, this has already been done in the case of the Anglo-Japanese alliance. It has also been done in relation to certain phases of Great Britain's policy towards the League of Nations and towards the policy of European political commitments. It has at times been to London's convenience, as well as to her interest, to be able to say "we would like to be able to do this or that, but those Dominions, don't you know . . ." But more than once there has been a stronger basis than convenience for this position, and the excuse of Dominion reluctance or Dominion refusal has been a real one.

When Canada attempts to influence British policy in this way it is because she is acutely conscious of the fact that, though she is in the British Commonwealth of Nations and happy to be there, she is also on the North American continent, alongside a mighty neighbor. The mainspring of Canada's external policy lies in this duality, and in the necessity of preventing her two positions — as a British Dominion and an American state — from conflicting. If they should conflict, Canada would be placed in an impossible position, one which British policy as well as Canadian must avoid if the Dominion is to stay in the Commonwealth.

After-dinner speakers on Anglo-Canadian-American topics often give Canada the rôle of interpreter of the United States to Great Britain, and of Great Britain to the United States. One may be pardoned for being somewhat skeptical of the reality or the impressiveness of this Canadian contribution to Anglo-American goodwill. Great Britain has her own interpreters, and hardly needs the services of Canada in this regard. The part that the Dominion can play in Anglo-American relations is rather that of making certain that the policy of Great Britain with respect to the United States will always be guided by the recognition of the impossibility of Canada's position if her neighbor and her Mother Country should drift apart on vital issues.

This is not to deny that in matters of detail Canadian policy with respect to the United States will often be different from that of Great Britain. That will be inevitable. It will, for instance,

become increasingly difficult to negotiate joint treaties between the United States and the British Empire. The disadvantage of certain treaties of that kind, so far as Canada is concerned, has already become apparent, notably in the case of the Liquor Treaty of 1924 where the negotiators in the first place were British, and Canada only later adhered. But a possible divergence from Great Britain on certain specific questions does not alter the fact that the broad basis of British policy with respect to the United States must be determined almost as much by conditions in Ottawa as in London.

These considerations explain the part that Canada can play at international conferences, such as the London Naval Conference and the Geneva Disarmament Conference, where the United States is vitally concerned and where Canada's own interests may seem to be small. The Dominion can be, and has been, a friend to the United States at such conferences, without sacrificing either her own interests or the interests of the Empire. Is it rash to say that in return for such friendship the Republic offers her neighbor another umbrella, the Monroe Doctrine? Washington never mentions it; Canada can scarcely bear to think about it, for it ill becomes her pride; but it appears to be a fact nevertheless that the United States would not allow a foreign invader to set foot on the shores of her northern neighbor.

The second influence on the relations between the two countries is that of a developing Canadian national consciousness. The United States now faces on the northern half of this continent a self-governing state, independent in all but name. But has that state a national personality of its own and, if so, what kind?

There are not a few Canadians these days who at every opportunity flourish the fact that above the 49th parallel a new race has developed, possessing a new national consciousness different from and, of course, superior to that of the United States or the trans-Atlantic peoples from which Canada sprang. It would be difficult indeed to show that such a distinctive race has yet developed. It would be equally difficult to prove that it is not developing. It certainly is. Canada is British and French, it is true, and remains loyal to certain sentiments and certain obligations that her origins entail. She is also North American, but above all she is Canadian, and there does not appear to be any possibility of her Canadianism being lost in a North Americanism.

There are many in the United States who refuse to consider

Canada as a foreign country. That is flattering, but it may be misleading. It would possibly be better to recognize that Canada is acquiring an individuality of her own, similar in many respects to both the United States and Great Britain, but distinctive in many other respects from both. The two peoples are, of course, closely akin, and superficially the resemblance is so striking as to make it the sad fate of every Canadian abroad to be mistaken for an American. They talk alike, though Americans sometimes forget that one Canadian in every four uses French as his mother tongue; their mental processes are often alike; their physical environment and social customs are similar; Canadians read American newspapers and magazines, and play American games. Hollywood has descended on the north, and the radio knows no international boundary. There is continuous travel backwards and forwards across the frontier, although it is not as easy as it once was, and very often citizens of one side live on the other side of the line. Possibly more people cross our boundary each year — it has been stated that the total comes close to 30,000,000 — in pursuit of business or pleasure than any other boundary in the world. Finally, the financial and economic stake of United States in Canada is enormous and cannot help but draw the two countries together.

But because Canadians are similar to Americans in so many respects it would be unwise to imagine either that they are similar to them in all or that this similarity is going to make relations any easier in their day-to-day conduct. May it not be true that American influence on Canada, far from really Americanizing the Dominion, is one of the strongest forces making for a Canadian national consciousness? One must, of course, fully recognize the tremendous force that 120,000,000 cannot fail continually to exert on 10,000,000, and realize that Canada must react in some way to that force. But it can be argued that she more often reacts against it than in favor of it. To put it crudely, Canadians have Americans right on top of them and so constantly about them that if they would survive as a separate people, with their own definite characteristics, they are forced to emphasize the fact of their own existence and of their own separateness. In short, the United States causes Canadians to think more about Canada.

Two other forces have made for the development of a Canadian national consciousness, namely, the World War and French-Canada. The influence of the latter is so well known that it need

only be mentioned here — Quebec knows she would be lost in a continental state, or even in a continental culture.

Canada really became conscious of her separate place in the Empire and in the world when she sent 400,000 men overseas to fight the battles of Europe. It was during the dark days of 1914-1918, amidst blood and sacrifice, that Canadians first acquired faith in themselves and confidence in their ability to work out their own national future. In a very real sense the fields of Flanders are the birth-place of the Canadian nation, and it is a source of never-ending satisfaction to the Dominion that, while the United States was forced to win her right to nationhood fighting against the British soldier, Canada won hers fighting by his side.

The effect of this national development is bound to make itself felt in the conduct of relations between the two countries. And yet, while Canada is growing in political stature and national consciousness, she is not — as is so often the case with young states — always sure of herself and is somewhat afraid that other countries, especially the United States, may not appreciate her new position as much as she appreciates it herself. This may make Canadians somewhat assertive — a fault Americans will find it easy to overlook — and, at the same time, sensitive to the actions of their neighbor and even more sensitive to her indifference. Our material inferiority we will balance by our moral superiority. You are big, but we are better; you are great, but we are good. The United States may, therefore, expect to encounter this attitude of mind, combined with an active national viewpoint, on questions which will arise between herself and Canada. She will also probably find, in regard to those questions, that Canada is somewhat suspicious of her neighbor and determined to drive the best possible bargain for herself. In this connection the Dominion encourages herself by believing that she is in a somewhat better position than most countries for bargaining with Washington.

The other phase of our subject is a consideration of some of the concrete problems which have arisen or may arise between the two countries.

There are, of course, certain general problems which, though they have not yet proved disturbing, have possibilities of disturbance. Canada's position in the British Commonwealth has been mentioned in this regard. Her membership in the League, combined with the fact that the United States is not a member, is

another source of possible difficulty. But Canada has been anxious from the first to insure that the fulfilment of her Geneva obligations will not bring her into conflict with the United States. So we find the Dominion, along with Great Britain and the Scandinavian states, taking the lead in opposition to every effort to strengthen the police or super-sovereign powers of the League, whether this is attempted by interpretations of the Covenant or by separate agreements or understandings.

It is probably correct to say that on nearly every important political question that has come before the League, Canada has adopted a point of view which may be described as North American, one that would probably have been adopted by the United States herself if she had become a member of the Geneva organization.

This point of view has been particularly noticeable in respect to such questions as the interpretation of Articles X and XVI of the Covenant; the application of sanctions; the Geneva Protocol of 1924; advisory opinions of the Permanent Court; the General Act for the Pacific Settlement of International Disputes; the Treaty of Financial Assistance to States Victims of Aggression; and the 1930 proposals to amend the Covenant to bring it into harmony with the Pact of Paris.

Canada's attitude to all of the above questions has been clear, consistent and, so she feels, constructive. It is based on an insistence that the determination of questions of peace and war must rest with national legislatures rather than with super-national assemblies; that the true function of the League is to prevent crimes rather than to punish culprits, and, therefore, that the League should act primarily as a center for international consultation and coöperation, as an institution through which international public opinion can express itself and make its weight felt. She does not believe, any more than the United States does, in the League as a super-state, as a glorified Foreign Office, or as a machine designed primarily to maintain a political *status quo*.

This Canadian attitude toward the League of Nations has been voiced not only at Geneva but in London. In the latter place it has probably had some influence on British policy. It has been determined primarily by three considerations. In the first place there is Canada's position as a British Dominion. Fifty thousand graves across an ocean have proved to Canadians that Sarajevo means something to Saskatchewan, that there is a

price for our place in an Empire. Let that Empire, therefore, keep out of dangerous European commitments. Secondly, there are Canada's North American isolationist instincts, with the resulting North American prejudice against European entanglements, and against treaties which ask Canada to produce security for the consumption of others. And finally, Canada's attitude has been influenced by the effect that unlimited League obligations, involving political or economic action, might have on the Dominion's relations with the United States.

The United States remains outside the League and has not yet given any assurance that in a League or coöperative war she would forego her traditional insistence on neutral rights. Canada has no desire, any more than Great Britain has, of becoming involved at the behest of Geneva in a struggle with her neighbor over neutral rights. That is one reason why she is so definitely opposed to the French idea of putting a club in the hands of the League. The use of that club might cause the United States to brandish one of her own, an eventuality which could hardly be viewed with equanimity by the Dominion.

There is, however, a lesson to be learned from Canada's experience at Geneva. It is this. She has demonstrated that it is possible to maintain a North American viewpoint and, at the same time, to remain a loyal friend and staunch supporter of the League, refusing none of the legitimate obligations of membership. There are many Canadians who wonder if the United States will ever learn that lesson.

Another general problem, already mentioned in another connection, is the relation of the Monroe Doctrine to Canada. What would be the attitude of the United States if the British West Indies desired to join the Dominion or if Canada, not Great Britain, should intervene in a Venezuelan dispute? This is an interesting question, but one which will hardly require an immediate answer, because Canada, for the present at least, has no desire to become a Caribbean Power or to receive the attentions of the State Department as such. Indeed, she emphasizes her safe and splendid isolation from Latin-American turmoil by shunning the vacant chair in the Pan-American building. Contact with that turmoil has the same lack of attraction for her as participation in European questions has for certain United States Senators.

Among the more concrete and immediate problems between the two countries, possibly the most important is the St.

Lawrence Waterways question. This is of great political and economic significance to both countries and causes Canada for the first time to be confronted with the negotiation on her own responsibility of a treaty of the first magnitude. There is a strong feeling in Canada that, advantageous as this undertaking might be to the country, every precaution should be taken to protect our political and other interests so completely that they cannot conceivably be prejudiced — a feeling which often expresses itself in the demand for an all-Canadian waterway and always in an insistence on caution. There are difficulties enough in the way of the “canal to the sea” — economic difficulties, difficulties over state and provincial rights, power difficulties — without having the matter tangled up with national fears and prejudices. But it should be recognized that such entanglement is possible, and wise statesmanship will take every care to avoid it.

There are also questions arising out of the enforcement of American prohibition laws. These, it may be assumed, provide no small part of the work for the Department of External Affairs in Ottawa, and have caused no slight trouble in Washington as well. They have occasionally resulted in incidents which have caused unfriendly comment north of the border. There should be a clear and definite understanding between the two countries, possibly embodied in a treaty, which might serve to settle these rum-running and prohibition difficulties. Canadians certainly feel that they have done their part, as a friendly neighbor, in coöperating in the enforcement of the laws of another country. They have accepted a Liquor Treaty which extends the jurisdiction of foreign officials over Canadian boats far beyond the distance which is recognized as permissible in international law, without gaining the compensating advantages which accrue to Great Britain by that Treaty. They have passed an Act of Parliament which has prohibited clearance of liquor from Canada to the United States, an Act which has resulted in the loss of a large revenue to their country and the main effect of which seems to have been the diverting of rum-running from the Canadian border to the islands of St. Pierre and Miquelon. Some Canadians are awaiting representations from Washington to Paris asking France to take the same steps in respect to St. Pierre and Miquelon that Canada was requested to take and did take in regard to her territory.

It would, of course, be mere cant for the Dominion to take credit to herself for these acts as manifestations of superior virtue, for they were inspired simply by those considerations which should influence all governments in their relations with each other. But there is a feeling in Canada that the same spirit has not always been shown by Washington, and also that there has been rather more zeal than discretion displayed by Coast Guard and other officers in the enforcement of the prohibition laws in so far as they affect smuggling. Canada, of course, is not desirous of standing before the world as the great protector of the rum-runner; in fact, there is little doubt that most Canadians would be intensely relieved if, in respect to *I'm Alone's*, *Josephine K.'s*, and others of that breed, we could strike a medal at Ottawa with Queen Elizabeth's Armada inscription on it, "*Deus efflavit et dissipati sunt.*" We do feel, however, that we are often forced into the invidious position of being the defender of these dubious people in cases where the defense would seem to be absolutely unavoidable on grounds of international law.

Border crossing and immigration questions constitute a vexed problem. Here there is a real danger of bureaucratic stupidity on both sides causing irritations which are not easy to remove. Canadians have become accustomed to going to and fro across the international boundary, and the eradication of the habit causes not only inconvenience but unfriendliness. It is not easy to talk with enthusiasm about the 4,000 miles of unguarded boundary when immigration officers make it as difficult to cross that boundary as to climb over the tariff wall. This is a question which particularly affects some thousands of Canadians living on one side of the border and working on the other, whose position has become difficult of late owing to Washington's tightening up of regulations, caused, no doubt, by the prevailing economic depression and consequent unemployment. At the very time when Canada was refusing liquor clearances the United States was, if not refusing, at least making more difficult, border crossing.

In this connection, a citation from the *Border Cities Star*, of Windsor, Ontario, dated December 24, 1930, is interesting:

Thousands of Americans are employed in this country — many of them in highly important and highly-paid executive positions. We are delighted to have them; we want more of them. At the same time, we believe that Canadians crossing the line for employment, business or social visits are entitled to just as much courtesy, just as much consideration there. For many decades

it has been common custom for Canadians to work on the American side and Americans on the Canadian side, as fancy or interest dictated. For years and years this arrangement was not even a topic of discussion. It was traditional; it was part of the regular routine of life along the international border. Business was established on that basis. Homes were built. Investments were made. The arrangement was a perfectly satisfactory one all around.

A few short years ago, however, rumblings began. In 1927 it was estimated that more than 15,000 persons were crossing daily from the Border Cities to work in Detroit. Today, our Chamber of Commerce figures, this number has been reduced to approximately 3,600 and is steadily shrinking. This is due, largely, to the persistent efforts of the American immigration authorities, working, of course, on orders from Washington. The going has been made harder and harder for those who have their employment in Detroit. All the commuters have been put to expense, inconvenience, annoyance and, in many cases, real humiliation. People of the finest type have been called before boards of inquiry and then forcibly deported for a year — for no other reason than they may not have been working in Detroit for some months. It has been a wearing-down process, the idea being apparently to crowd the Canadian commuters out as rapidly as possible.

The time has come for a show-down. Does Uncle Sam want to continue friendly business relations with this country or does he not? Does Uncle Sam want Canada to keep on buying his goods or is he no longer interested in our money? Does Uncle Sam appreciate Canada's action in meeting his request for a stoppage of liquor exports from this country — at a cost of millions to Canada — or does he not care? All these and many other questions are being asked. Perhaps we shall be able to secure the answers to them before long.

Fisheries disputes have been a fertile source of controversy for a hundred and fifty years or more, and the source shows no signs of drying up. The development of large scale trawler fishing with modern refrigeration has enabled United States fishermen on the North Atlantic to base their operations on home ports; this has removed most of their grievances. Minor irritations, however, continue to develop, especially in the Pacific where the use of Canadian shores is still essential for American fishermen and where the Dominion's fisheries protection vessels have lately been showing an unwonted zeal in prohibiting that use.

Closely allied to fisheries questions is the problem of territorial waters. Canada's attitude to this problem should, one would think, be the same as that of the United States, as conditions are so much alike in both countries. But the Dominion has inherited certain policies and certain preconceptions from Great Britain in regard to territorial waters, and the British and American views sometimes clash, notably in regard to the admissibility in international law of a 12-mile jurisdictional zone

for Customs purposes. Each country has also claimed certain bays and straits as territorial waters, though it is extremely doubtful if the other in every case admits these claims.

There are boundary problems. Our boundary may be free from cannon but it certainly is not free from controversies. Most of them, however, can be left to that unique and valuable institution, the International Joint Commission. The work of that body during the last twenty years has demonstrated its usefulness as a medium for the adjustment of questions among conflicting interests where it is necessary to have a certain amount of "give and take" in order to get a workable settlement. But by reason of equality of representation from both countries it does not seem to be the most suitable type of tribunal for dealing with justiciable disputes. This Joint Commission has been more often the subject of uncritical praise than careful appraisal. But if its history and achievements are dispassionately studied it becomes apparent that it has not yet been seriously tested and that its chances of successfully meeting that test when it comes will depend on whether or not it has been kept above politics, with a stable and able membership, working as a court of law rather than as a commission of diplomatic representatives. The numerous changes that have been made in the United States personnel on the Commission have caused some suspicion that the above attributes are not considered essential in Washington. Certain it is that if the Joint Commission is used by either country as a final resting place for discarded politicians it will soon become as futile as most of the other commissions that clutter up the international scene.

A new and interesting problem has been created by radio broadcasting. Here is one commodity which laughs at tariff walls and refuses to recognize embargoes and anti-dumping regulations. In time of acute national feeling the radio will be used by every country to protect and promote the national interest, but even in periods of calm it acts as an instrument, if not always consciously, for the propagation of national viewpoints, national cultures, national ideals. For Canada, this question of radio broadcasting is an especially important one because owing to the fact that the United States possesses nearly all the broadcasting channels and fills them with a language which Canadians can still understand, the Dominion is, in the ether, more or less at the mercy of her neighbor. It is suspected that most Canadians, when they should be listen-

ing to a half-hour's historical broadcast from Ottawa, are absorbing the strains of a jazz orchestra from Chicago or hearing of the virtues of a toothpaste from New York. Canada would like to be less dependent on her neighbor in this respect. This feeling, indeed, is one of the strongest motivating influences behind the Canadian Radio League, which is conducting a vigorous campaign to bring radio broadcasting under federal government control.

Finally, there are those political problems, the most important of all, which arise out of commercial and financial contacts between the two countries. There are some in Canada who fear that the exploitation, or better, the development by United States interests of Canada's natural resources will Americanize their country. Possibly there is more cause for fear that it may Canadianize the United States — that the enormous American investments in this country may encourage an embarrassingly acute interest in Canada's efforts to regulate and control her own economic activities, and particularly in legislation to conserve her natural resources or to extend the development of public ownership and social control. This development has gone farther in Canada than in the United States, witness the Canadian National Railways, the Ontario Hydro-Electric enterprise, government encouragement of coöperative institutions in agriculture and the present agitation for government control of radio broadcasting. Last November a Canadian Professor of History, speaking in Montreal, suggested that the only real safeguard against the absorption of Canada by the United States through economic penetration lay in putting the Dominion's strategic industries and services under public ownership and in building up through that means an economic system quite distinct from the American. Such a safeguard, if it were effective, might prove troublesome, but there is at least the satisfaction of knowing that Canada is not Nicaragua, and that there will be no need either for marines or Sandinos.

It may be expected, then, that the relations between the two states will become increasingly important and that the problems arising therefrom will grow in number and in magnitude. The very similarities of the two peoples and the intimacy of their contacts will promote such problems, while making easier, it is to be hoped, their peaceful solution. As Chief Justice Hughes has said, "While we will have much to discuss, we will have nothing to fight about." Why?

There will be nothing to fight about because there is developing in each country with respect to the other the habit of arbitration and peaceful settlement. So true is this that when differences now arise there is a tendency to regard them almost as domestic matters and to apply to them domestic procedure based on inquiry into the facts followed by an award based on that inquiry, which is to be accepted as a domestic award is accepted — with obedience even if with grumbling. Furthermore, the differences and controversies are not likely to involve directly those inflammatory issues of national defense, national security and national prestige, the sources of so much disaster. War psychology based on fear has no place in Canadian-American relations. It would be dangerous for Canada to be afraid of the United States in what might be termed the European sense, while it would be absurd for the United States to be afraid of Canada in any sense.

But it should not be forgotten that while in the past peaceful solution of mutual differences has been encouraged by Canada's weakness and her colonial position, in the future it will have to rest on a basis of mutual compromise, mutual understanding and mutual respect, as between self-reliant and independent states. That solid basis exists now, and it is because of that fact that we can feel confident that the relations between the two great democracies of North America will not result in serious difficulties or engender bitterness as the seed for future trouble. There is between them neither malice nor fear, for each feels that it can rely on the other's sense of justice and appreciation of the advantages of good neighborhood.

CAN AIRCRAFT BE LIMITED?

By Edward P. Warner

IN THE disarmament equation aviation is still a factor x . It is still preëminent among the difficulties, and so among the obstructions to success on a comprehensive front. In 1932, as on every other occasion since the World War when the matter of arms limitation has received concerted attention, the technical problems of the air arm are the most baffling that have to be solved. In air forces there are no universal units of measurement. There is no sharp distinction between one type of aircraft and another such as can be drawn, for example, between battleships and cruisers. There is no generally acceptable yardstick, corresponding to tonnage in naval vessels, for the simple expression of relative collective strength. There is not even any sharp line of demarcation between military and non-military craft.

Limitation, difficult enough at best for technical reasons, is made harder by the mystery which envelops the possible uses and effectiveness of aircraft in war. Opinion is by no means agreed on these points. Some military men and a vast number of civilians have come to take it for granted that the next war will be fought almost exclusively in the air, and that it will be ended within a few hours or a few days by the destruction of all the great populous centers in the territory of the less well-prepared of the combatants. Opposed to this opinion is that of most students of military and naval affairs, who take such forecasts with many grains of salt. Those responsible for national defense are not persuaded that aircraft make other arms obsolete. Uncertainty is inherent in the nature of the air arm and in the conditions under which aircraft are constructed. An air force, unlike a navy or a powerful army, can conceivably be built under cover; and in the hands of a treacherous neighbor it can strike in the dark.

Confronted by technical difficulties, by divided opinions, by lively fears, it is not surprising that responsible government officials, or at least most of them, are inclined to rely on air forces of their own rather than on pledges as a safeguard against the aerial threat. Hence, statesmen and soldiers alike are highly suspicious of any attempt to restrict their nation's development of air power.

The most sweeping proposal for limitation comes from those

who believe that any air armaments at all are bound to wreak destruction upon civil populations in the next war. They have found a norm in the military aviation causes of the Versailles treaties, by which the defeated countries have been deprived of all air armaments since 1919. Taking that as pragmatic proof that a nation can exist without an air force, they have advocated a world-wide abolition of military flying, putting all countries upon the German level. This plan has been most actively promoted by M. Henri de Jouvenel, Viscount Cecil and Sir Gilbert Murray, and has attracted some support in Germany.

The abolition of military aviation, if it could really be enforced, would be greatly in the British interest, and it is conceivable that the British delegation may put forward some suggestion of the sort at Geneva. Such a proposal might be accepted by other countries as an economy measure and to assuage the fear of bombardments of undefended cities, provided military aviation could be accurately defined and provided the fear of aërial surprise by a treacherous neighbor could be overcome.

But experience in enforcing the aërial clauses of the Versailles treaty has shown that it is next to impossible to draw a hard and fast boundary around military aviation. In 1919 Germany was beaten and disarmed. There was practically no limit to the conditions which the Allies could impose upon her. The famous "nine rules" of 1920 were designed to take into account everything which could make an airplane fit for military service. They seriously handicapped the development of German air transport. They set up conditions so harassing and so humiliating that no state could ever be expected to accept them except under compulsion *vi et armis*. Yet, even so, they failed to satisfy Germany's former enemies that military aviation was really excluded, and in particular they failed to allay French alarm over the alleged development of great German military air strength under the guise of civil flying. French authorities have frequently declared that France, with four or five thousand military planes, is outclassed by Germany's three or four hundred air transport craft. Needless to say, if military aviation were abolished in all countries civil flying would be watched with greatly intensified suspicion.

As a way out of all these difficulties M. de Jouvenel and Viscount Cecil have suggested the internationalization of civil aviation. The suggestion is somewhat vaguely defined, but apparently it comprises the joint international operation of air

transport routes, the abandonment of governmental stimulus to national aircraft industries, and the formation of a cartel to allocate and control aircraft production.

So all-inclusive a proposal could only have come from countries where, generally speaking, civil aviation means subsidized air transport and where the private ownership of airplanes is on a very modest scale. At the present time there are three airlines from western Europe to southeastern Asia — the British “Imperial Airways,” the French “Air-Union Lignes D’Orient,” and the Dutch “Koninklijke Luchtvaart Maatschappij,” more generally known as the “K. L. M.” They follow roughly parallel routes and have kindred purposes. All three are generously supported from the public purses of their respective states. To internationalize them would be relatively easy. It might perhaps be feasible, though much more difficult, to internationalize the route from Miami to Cristobal and down the west coast of South America. It is even remotely conceivable that some form of international supervision might be devised for purely domestic air transport operations (such as flourish in the United States to the extent of about 150,000 miles of flying per day) provided they are supported by the governments in question. But how, short of the formation of a World State, would we set about internationalizing a transport line which is completely independent of government support and runs as an ordinary commercial enterprise? By what imaginable means could one internationalize the operation of the aircraft — faster than some fighting planes and with more carrying capacity than some bombers — employed in the service of the Detroit News and of the McAleer Auto Polish Company? How internationalize the operations of Mr. Wiley Post’s world-girdling *Winnie Mae*, or the aerial activities of Mr. Wallace Beery and a thousand other private fliers? These are not mere trivia. French alarmists often allude to the *Sportflieger Vereine*, groups of young Germans banded together to learn to fly and practising the art on machines of insignificant power and performance. It is apparent, then, that when civil aviation is considered in the broadest sense, in the sense in which it is actually developing, “the internationalization of civil aviation” becomes a phrase of very limited application.

On the whole, however, the principal proposals from British sources are for the abolition of military aviation. That was M. de Jouvenel’s original idea also, but he has recently modified it, and

now proposes that military aviation be retained, but that it be reserved as a weapon of the League of Nations. The proposal for such an international air force was first pressed by Mr. Clifford B. Harmon, an American long resident in Paris. The Preparatory Commission gave his suggestion a chilly reception. It can at least be said in its favor that from a purely technical point of view the creation of an international force would bring the abolition of national air forces further within the realm of possibility than it would otherwise be. As a practical matter, however, Great Britain and the United States seem likely to oppose this scheme, just as they have opposed other plans for putting force at the disposal of an international organization.

Discussion of plans for internationalizing aviation has had one good result; it has brought out the necessity of drawing a sharp distinction between military and civil aviation in government policy, and has convinced most nations that civil enterprises should not be supported by their governments for purely military reasons. This principle was adopted at a conference of civil aviation experts held at Brussels in the spring of 1927, and is included in the Draft Convention prepared by the Preparatory Commission.

The officials of commercial airlines have as a rule no military interests. In most instances they insist on financial support from their governments, but they would much prefer that it be given on purely commercial terms. The Brussels meeting of 1927 brought together a committee of which about one-third of the members were actively engaged in the operation or promotion of air transport enterprises. Most of the others were officials in the civil aviation branches of their governments. The committee had comparatively little difficulty in agreeing that:

It is desirable that the development of civil aviation should be directed solely towards economic ends, and should remain outside the sphere of military interests.

Civil aviation should be organized on autonomous lines, and every effort should be made to keep it separate from military aviation.

If states intervene in any capacity, whether directly or indirectly, in civil aviation undertakings, it is desirable that the state organizations dealing with the matter should be quite separate from the organizations dealing with military aviation.

It is desirable that governments should refrain from prescribing the embodiment of military features in the build of civil aviation material, so that this material may be constructed for purely civil purposes, more particularly with

a view to providing the greatest possible measure of security and the most economic return.

As regards personnel, and in particular pilots, it would be desirable that civil aviation undertakings of all kinds should not require such personnel to have received a military training or give preference to those who have received such training.

It is *a fortiori* desirable that these undertakings should as far as possible avoid seconding personnel from military to civil aviation for the purposes of the latter.

The Committee desires to point out the undesirable effects which may result from the direct or indirect encouragement by governments of civil air transport lines for military rather than for economic or social purposes.

At the present time civil aviation in most cases has become national in character. It would seem desirable to encourage the conclusion of economic agreements between civil aviation undertakings in the different countries.

All of these points have been incorporated, in essential spirit, in Article 28 of the Draft Convention. It is rather surprising, however, and typical of the confusion pervading the whole subject because of its technical novelty and the diversity of government policies, that the most strenuous objections to Article 28 have come from two of the most pacific of states, Sweden and Canada. Both have a special situation. Both have a great amount of survey work and emergency transportation to carry on in thinly settled or completely unsettled regions, and quite innocent of any military purpose are using military personnel for these operations. Both object to restriction on such use. From the continental countries in which commercial air transport has a really military purpose and flavor, on the other hand, there comes no word of protest. We may suppose that they will still be able to accomplish their purposes by indirection, without offense to the letter of the Draft Convention.

Article 28 of the Draft Convention (echoing the call of the last paragraph quoted above from the expert committee's report) falls far short of true internationalization. What it asks for has, in fact, already been largely attained. Already it is common practice for the airlines between European centers to be operated by agreement between the major air transport companies of the countries concerned. The agreements, however, do not touch on questions of equipment or personnel. They are the outcome of purely economic competition, with the governments participating only to the extent of refusing to sanction penetration by a foreign

airline except on a basis of complete reciprocity and equal division of activity. Thus, the Deutsche Lufthansa and the Compagnie Générale de Transports Aériens both maintain services, with equal schedules, between Paris and Berlin. This division of traffic may produce some coöperation between the companies concerned, but it does little to allay international suspicion or to promote the reduction of air armaments or limit the applicability of transport material and personnel to military purposes.

Articles 28 and 34 of the Draft Convention, the latter calling for complete publicity and periodic reports on the scope of civil aviation and the number of planes in civil employment in each country, represented a compromise on the most bitterly argued of all the aéronautical problems that came before the Preparatory Commission. It would be foolish to pretend that the compromise is generally satisfactory. Undoubtedly the whole question will now be reopened and fought over at Geneva. The dissatisfaction of certain nations with any solution that may be reached will stand in the way of any effective determination of the ratios or numbers to be used in limiting military air forces.

If civil aviation were actually internationalized, perhaps this perpetually discussed question of the extent to which civil aviation is a useful military auxiliary would not arise. Under present conditions, however, it insists on arising, and in seemingly insoluble form. As has so often been found the case in efforts to limit armaments, the nations divide sharply into two groups on the problem of civil aviation control, — on one side the French bloc, and on the other an Anglo-American-German-Scandinavian grouping. France, with an air force approaching a two-Power standard in strength, with very little civil aviation and a people who show little inclination to develop flying as a sport, has argued that military and civil aviation are completely interchangeable and that limitation must be applied to all aérial activity as a unit. The American and German delegates, with the partial concurrence of the British, have maintained that civil aviation is of negligible military significance, that the economic results of any attempted control of civil development would be disastrous, and that limitation must be confined to military material and personnel, including the reserve.

As a matter of fact neither extreme view is supportable. To assert that a civil plane is the equal of a military plane in value, especially without reference to its power, size or performance, is

preposterous. To claim, as the American and German representatives on the military subcommission of the Preparatory Commission at one time did, that "civil aviation as such is of comparatively little value as a war armament" may be true if the definition of the word armament is very narrowly restricted, but in any broad sense it is much exaggerated. It is in direct opposition to the opinion of most experts who have written on the subject, including those of American and German nationality. It is also refuted by the fact that war and navy departments and air force officials everywhere display keen interest in the progress of civil aviation, and by the known fact that civil aircraft were pressed into emergency transport service during the recent French Army manœuvres and proved to be of great value. It is probably correct to say that civil aircraft, with very rare exceptions, cannot readily be adapted for fighting, or even for bombing places that are well enough defended to hold the bombers to a high altitude. The trained personnel, however, constitute a resource of immense value, and a great proportion of the civil machines can be put into auxiliary service—for example, for transport duty, the making of observations in quiet territory, or even the bombing of undefended places.

If there were nothing to be considered except the reaching of an agreement that would establish and maintain certain ratios of air strength among the contracting Powers, the most reasonable point of view would be the intermediate one that limitation should apply directly only to military aviation, including reserves of military material and of specially trained personnel, but with the development of civil aviation taken into account as one of the modifying factors. That method is impractical, however, because civil aviation is important in different degree for the various states and also because it has been developing so rapidly and because it seems undesirable to impose any restriction on its natural growth for peaceful employments. The Brussels committee of experts, already referred to, expressed itself very strongly on the disadvantages of taking civil flying into account at all in arriving at a system of limitation.

The committee further condemned, as sure to have serious economic consequences, any restrictions on the characteristics of civil aircraft. Limitation in terms of performance or of such generally used engineering ratios as weight per horsepower has often been suggested (the possibilities were analyzed in some de-

tail by the present writer in FOREIGN AFFAIRS, July 1926). In declaring itself opposed to anything of the sort, the Brussels committee expressed its opinion that, in the light of the failure of the attempt to define military aviation in Germany and of the rapid development of the art of flying, no rigid definition or line of demarcation could be drawn. The Preparatory Commission accepted that *non possumus*.

The problem of definition is becoming no simpler with the passage of time. Half a dozen years ago, when the writer was preparing the article just referred to, it seemed very probable that military and commercial design in aëronautics would diverge just as had been the case with seagoing craft, and that it would become comparatively easy to draw the line between types. The contrary has occurred. There has been an increasing demand for commercial airplanes of very high speed and climbing capacity. Although specialized military craft are still to be distinguished by the provision that is made for the installation of various specialized items of armament, the differences in military and commercial planes in inherent performance and in general design characteristics are fewer now than they were in 1926.

If civil aviation is to be excluded from the account, and if no one is able to devise a way of saying precisely what civil aviation is, limitation is obviously to be confined to those air forces which their governments frankly avow are military. The provisions of Article 28, though helpful, are so vague that they cannot be put into rigid effect. The fact is that it was necessary to dodge the question of civil aviation in the Draft Convention. It almost inevitably follows that reserve material will be ignored and that limitation will be applied only to planes actually in full commission as a regular and permanent part of the equipment of a regular military air force. The Draft Convention (Article 25) proposes that "the number and total horsepower of the airplanes, capable of use in war, in commission and immediate reserve in the land, sea and air arm forces" shall be restricted.

It is not only in respect of civil aviation that the aëronautical sections of the Convention suffer from vagueness. Indeed, they contrast very badly with other portions of the document. The paragraphs dealing with naval questions are (with the single exception of that covering the definition of an aircraft carrier) clear and concise. But the aërial clauses, prepared largely by statesmen with some knowledge of military and naval affairs in

general but with no specific experience in aëronautical matters, are full of loopholes and doubts.

For example, there is the question of "immediate reserve." At what point does a reserve cease to be immediate? Obviously the term includes the machines directly attached to squadrons in the field and held for replacement in case of minor damage to some of the operating equipment. Obviously it excludes planes in dead storage, bought solely against a possible emergency need and left stored in the original crates. But does it include a general reserve held at a depot into which all squadrons turn their machines for occasional overhaul and from which they draw new ones? Does it include craft held for the replenishment of the supply of military flying schools? No one appears to know.

Even more perplexing is the phrase "capable of use in war." The reports furnished to the League of Nations by various Powers regarding the state of their armed forces already give evidence of the greatest confusion on this point. Some reports include everything that will fly. Some exclude experimental types. A number of them exclude primary training machines. Some exclude transport and other utility types. Yet every one of those is "capable of use in war" in some capacity or other. Seemingly the phrase is being accepted in many cases as meaning "capable of effective use over the front lines." Obviously, even if the wording were so changed, there would still be room for immense differences of opinion and interpretation.

In spite of the vagueness of the Draft Convention where aëronautical matters are concerned, and despite the prevailing unwillingness to do anything that will interfere with technical development in the air, it is surprising to find no attempt whatever to control the properties of individual aircraft or to treat them as individual units. The global method of limitation, hotly opposed by all the great naval Powers in its application to sea forces, has had its triumph in the air. Indeed, there has been a substantial sentiment in the Preparatory Commission in favor of limiting only the total number of planes, without any reference whatever to their strength as individual units or in the aggregate. In opposition, various groups of nations endeavored to secure limitation of aggregate strength by various technical devices which would give those nations an advantage either over the world at large or over some traditional foe.

The relative insignificance of the points upon which these

struggles for national advantage sometimes turn is a reminder of the extent to which the presumably general desire to reach agreement for the general good is subordinated to considerations of national advantage, and also of the importance of having highly competent technical personnel close at hand during the discussions of such matters. Most of the delegates are immensely interested in the problem of disarmament and have lived with it for a number of years, but nothing in their experience has qualified them to conduct a lengthy and detailed argument on the relative advisability of limiting aircraft by aggregate horsepower or by aggregate wing area.

It happens that differences in national practice in airplane design are much more marked than exist in the designing, for example, of naval vessels. Thus, to mention only a single instance, British airplanes almost invariably have wings of relatively thin section with a large amount of external bracing to support them, while the German and Dutch practice is to use much thicker sections and carry the structural bracing internally. French and American designs vary between the two extremes. The result is that the British have to use somewhat more wing area to get the same result than do the builders of other countries, and as a natural result the British delegation were hotly opposed to use of wing area as a measure of air force strength. The Germans, the Dutch and the Americans, on the other hand, were enthusiastic in its favor. Agreement was finally reached on the use of aggregate horsepower as an index.

The battlefield was thereupon shifted to the definition of horsepower. German engines run at low speed and use larger cylinders than are conventional in other countries for developing the same power. The German representative on the special technical committee which was charged with the development of the horsepower formula was consequently in favor of taking horsepower, for the purposes of limitation, as directly proportional to engine weight. The American and French delegates preferred to make it depend on cylinder volume alone. A compromise was finally reached which includes both factors, but which appears to be distinctly unfair to typical German engines. It will result in giving the German, for a given nominal limitation on horsepower, from ten to fifteen percent less power actually developed in flight than the French, for example, could secure under the same figure. Of course the Germans, or any other country aggrieved by the work-

ing out of these rules, will have the option of changing their design practices, but it is not easy to do that within a short time. Through all these debates the delegates of the several states have played the parts of so many marine architects trying to develop designs for new yachts which will "beat the rule" under which handicapping is done, except that in this instance the endeavor is not to create something new that will beat an existing rule but to secure the adoption of a rule that the existing practice will beat.

But though there are plenty of flaws and ambiguities in the Draft Convention it would be unfair to leave the subject without paying tribute to the spirit of compromise that made it possible to draft any convention at all. The problem is immensely complicated and the agreement reached is imperfect; still it is an agreement, and it is a far better one than seemed likely in 1927, when the Preparatory Commission was holding its third and most arduous session.

The technical points mentioned above would be trivial if the nations were possessed of a general and genuine will to find means for limitation, together with a reasonable degree of mutual trust. The complexity of the problem of the air arm will have a decided effect on the success or failure of the Conference, but it is a somewhat indirect effect. If the Conference fails to limit air forces, the technical difficulties will be a plausible excuse rather than the underlying cause. The real sources of the trouble will be in the state of feeling in Europe, particularly the uneasiness among the neighbors of France about the French determination to make security the precursor of disarmament, and the resentment of the German Government and people over the aërial clauses of the Treaty of Versailles. The first points are more or less obvious, and apply in some form or other to all attempts at arms limitation in any field. The last, which is the most important, has a special aëronautical twist.

At the time of writing the German attitude on armament ratios has not been defined. We have yet to see what measure of inferiority to France the German delegates will be prepared to accept in a treaty which they are under no compulsion to sign. It is at least possible that in dealing with land and sea forces some turn of phraseology can be developed which will avoid a flagrant departure from the terms of the Treaty of Versailles, and still be acceptable to the German Government. In respect of air force such an outcome is quite unthinkable. The Treaty says in plain

language that Germany shall have no military air force whatever. That any German delegation will of its own free will sign a document perpetuating that state of affairs is as inconceivable as that an American delegation would voluntarily accept naval inferiority as against any other nation. It is only a little less inconceivable that France will permit any explicit modification of the Treaty's terms. There lies the dilemma. It seems well-nigh insoluble.

A really substantial reduction of air forces is probably less likely than a reduction of any other form of armament. The air arm is in process of development and expansion, and armies and navies are becoming ever more dependent upon it. Aircraft are now a part of the equipment of every large naval vessel and of every unit of troops in the field. At the present time, for instance, the United States Navy has only about 200 airplanes based on aircraft carriers. On the scale on which planes are now planned for these ships, with a much larger complement for each vessel than was thought possible four or five years ago, the total number needed to equip all the carriers that we are allowed under the London Naval Treaty would be about 750. Similar situations exist in certain other navies. The technical advisors of most of the delegations, then, are likely to declare themselves seriously dissatisfied with their present standard of air strength, and desirous of stabilizing at a considerably higher figure. Unless there is to be a very drastic reduction indeed in the general standard of surface armaments, any agreement affecting air forces is likely to permit a general building up to somewhat above the present levels.

As an alternative or supplement to the limitation of numbers and power of planes and of the personnel of air forces — especially should agreement on those points prove extraordinarily difficult — the Conference is likely to make an effort, by amplifying the laws of war, to limit the ways in which planes may be employed. There has been much discussion during the past winter, particularly in British circles, of the feasibility of abolishing aerial bombardment. The Conference has had a timely object-lesson of the destructive possibilities of that form of attack laid at its very doorstep, for two days before it convened in Geneva the Japanese bombed a section of Shanghai, and are reported to have killed 150 Chinese by a single bomb falling on a railway station.

The suggestion that attack upon ground objectives from the air be abolished will not be entirely new to the delegates at

Geneva. The proposal has already been broached only to be repelled, though not decisively. During the Preparatory Commission's sixth session, in 1929, the German delegation proposed the inclusion in the Draft Convention of a provision that: "The High Contracting Parties mutually undertake not to launch weapons of offense of any kind from the air by means of aircraft, nor to employ unpiloted aircraft controlled by wireless or otherwise, carrying explosive or incendiary gaseous substances. They further undertake to make no preparations of any kind for the use of such weapons of offense." M. Litvinov, following usual Soviet policy, not only welcomed the German suggestion but went further, declaring the Soviet Government's desire that all implements of war directed primarily against civil populations should be forthwith destroyed. The other delegates who spoke, and there were many of them, damned Count von Bernstorff's proposal with faint praise. On a record vote, only the Swedish and Dutch representatives and one other joined MM. von Bernstorff and Litvinov in supporting it.

The defeat was indecisive, however. A number of the delegates who voted against the proposal, including those of the United States and Great Britain, did homage to the spirit that was presumed to animate it and explained their votes as due solely to the conviction that the Draft Convention was not the place for prohibitions, nor for a fixing of the laws of war. It may be remarked in passing that no such considerations restrained the same delegates from voting at the same session to include in the same Convention an absolute prohibition of bacteriological warfare and a limited prohibition of gas warfare.

The delegates who voted down Count von Bernstorff's motion, not desiring to be left in the position of upholding indiscriminate aerial attack on cities, immediately and unanimously passed a resolution interpreting their own action as "not in any way meaning that the bombardment of civilian populations is authorized." The 1922 Hague Conference on the Rules of Aërial Warfare had undertaken definitely to forbid such bombardment, but only a few nations ratified the resultant convention and it lapsed into desuetude. The question promises to be a perennial one. It is quite impossible to debate the limitation of aerial armaments without involving consideration of the advisability of changing the laws of war, and quite illogical to insist on the rigorous separation of two such intimately connected questions.

CHEMICAL WARFARE

By James E. Mills

THREE new and powerful weapons of warfare were developed in the World War — aëroplanes, gas and submarines. It is fortunate for the world that two of these — aëroplanes and gas — are bound up with the development of the industries of the world. It is axiomatic that every effort should be made to prevent war; but if war cannot be prevented, then it is very much better for the world that when it comes it should be fought with weapons that have not required an immense outlay of funds during years of peace. Mine fields, submarines and aircraft can now aid in giving protection to harbors, with the result that expensive coastal fortifications have become less necessary. Surprise attacks become more difficult, and modern transportation facilities enable both armies and armaments to be shifted rapidly to meet any new attack. In many cases the influence of local interests is the only factor preventing the closing of navy yards, fortifications and army posts no longer really needed for defensive purposes. If individuals and statesmen desire disarmament, and are willing to examine the facts carefully, then material reduction of expensive armaments can probably be secured without sacrifice of national security.

In order that our conclusions regarding chemical warfare may be sane, we must study the facts disclosed by experience.

During the World War a total of about 100,000 tons of gas was used by the various nations involved. The gas casualties produced have been estimated at 534,000 for France, Great Britain, the United States, Italy and Germany, and of those casualties approximately 4.2 percent resulted in death. As regards Russia the facts are very uncertain. Her troops were poorly protected against gas, however, and suffered heavily; the gas casualties in the Russian armies have been estimated at 475,000, of which 11.7 percent resulted in death.

Many different chemicals were used. These can be roughly divided, according to the effect produced, into four classes.

Lachrymatory compounds, commonly known as tear gases, force the closing of the eyes. Gas masks afford efficient protection, but a man without a mask is helpless. Effective tear gases are known which produce no casualties and no deaths. Such gases are

efficient agents with which to control mobs or for use against an army without masks.¹

Toxic smokes in exceedingly low concentrations cause severe irritation of the mucous membranes of the nasal passages and throat, the effect being much like that produced by red pepper. A very efficient mask is required for protection. Some casualties are caused and a few deaths. During the war the Germans manufactured about 14 million "Blue Cross" toxic smoke shell, and expected to secure great results because of the ineffective masks then in use by the Allies. Fortunately these shell, due to the manner of dispersion of the toxic smoke, were almost a total failure in so far as their gas content was concerned, though of course the heavy explosive charge which they carried was effective.

Mustard gas was, and is, the most efficient warfare gas known. Probably 12,000 tons of mustard gas were used during the World War and caused in the neighborhood of 350,000 casualties among the French, British, Americans and Germans. Of these casualties about 2.5 percent died. The gas mask provides protection for the eyes and lungs, but the gas or liquid penetrates the clothing and produces skin burns of a nature very hard to heal. At the time of exposure no pain is produced and no discomfort, so that it is exceedingly difficult to enforce wearing of masks. Mustard gas is persistent, and an area heavily treated with it may be untenable for two weeks or even longer.

The phosgene and chloropicrin type of gas produces a high rate of deaths in proportion to casualties. An unprotected army can be practically annihilated. Gas masks afford efficient protection and during the World War the importance of these gases decreased as the masks improved. Three cloud gas attacks against the Russians resulted in total casualties of 140 officers and 21,000 men dead and disabled. Probably none of these attacks lasted more than twenty minutes.

The total number of special gas troops in actual service at the front at any one time was very small, amounting to only about 17,170 men for the armies of France, Great Britain, the United States and Germany. The same nations used nearly 60 million gas shell, a figure representing probably between 5 and 10 percent of the total amount of shell which they used.

¹ Some lethal gases also produce lachrymation. In this article the term "tear gas" refers to gases which will not poison in the field concentrations used. The lethal tear gases are classified with the phosgene-chloropicrin gases.

These facts enable us to draw some important conclusions. Gas cannot displace the older weapons. At the same time, the use of gas results in a large increase in casualties, and no one who understands the facts would dare send into the field an army which is unprotected against gas, relying for its protection upon a treaty signed years before the war began.

Moreover, we may question whether it is wise for any nation to agree that in time of national danger gas shall be discarded and that a more expensive weapon, and one in fact more brutal, shall be maintained in its place. A nation at war thinks itself in the right and is struggling for its life. Is there any sound reason why it should not use gas as a means of defense?

In reality — the propaganda against it notwithstanding — gas is the most humane weapon which exists today for use in actual warfare. More than 24 percent of the total American battle casualties resulted in death. Only 2 percent of the American gas casualties resulted in death. In the British Army, of all gas casualties only 3.3 percent died. The Surgeon General's report for 1920 showed conclusively that gassing does not increase tuberculosis in after years and that permanent injury of any kind from gas is comparatively rare. Gas does not mutilate the body, and it seldom causes extreme pain — usually no pain whatever at the time it is breathed. Later on, in the hospital, a seriously gassed case can probably best be compared to a case of pneumonia. The first gas used in the war, chlorine, was extremely irritating and painful. The change to less painful chemical agents was not due to any humanitarian consideration. It was merely found that a gas which poisons without pain is far more effective, for the pain warns of danger and the soldier puts on his mask.

No attempt is being made here to argue that chemical warfare is humane. There is little humanity in any sort of actual combat. The facts are stated only to show that gas cannot be barred as a weapon of war on the ground that it is barbarous. There are anti-aircraft installations that fire one thousand rounds per minute. Would it not seem a little absurd for the nations of the world to rule that the aviator could not drop tear gas to confuse the aim of his humanitarian opponent?

If we were to stop with the foregoing statement as to the relative inhumanity of gas and other weapons of war an injustice would be done to gas warfare, for there is a further important difference between them — gas warfare can be made humane if

the nation using it desires; other weapons cannot. Once the bullet or the shell has been started on its course all control over it is gone. There is no way of tempering the injury done. Whoever stands in the way will suffer mutilation and possible death. Gas is a weapon the effect of which can be controlled. Tear gas can be used to disperse a mob with the certainty that no one will be injured. If the tear gas is not sufficiently effective then a toxic smoke can be used. If the opposing force is so well trained and protected that these two gases are not sufficient, then it is not a mob but an organized army. Mustard gas may even then accomplish the purpose with a relatively small loss of life. Perhaps the time will come when it will be considered barbarous to use rifles, machine guns and explosives against a mob, or against some unorganized or uncivilized nation, when the situation could be controlled by the use of gas without loss of life. These facts make it improbable that any general agreement for the complete abolishment of gas warfare will ever be reached.

A nation fighting on the defensive generally fights at home. The use of chemicals, aeroplanes and submarines tends toward equalizing fighting ability among civilized nations. They are relatively cheap weapons; the raw materials required are abundant; and no large number of fighting men are required. For a variety of reasons, moreover, as the distance from a secure base increases there is a decrease in the possibility of using these weapons effectively. The diminution of the power to fight successfully at a distance seems likely to tend strongly towards peace among the nations. Thus it is possible to prophesy that the new and powerful weapons of war made possible by science may be a gain to the world.

Gas warfare is particularly powerful as a defensive weapon. This fact arises primarily because mustard and similar gases can be used to prevent the occupation of the homeland by a foreign foe. They also can be used by a retreating army, but their use by an army on the offensive would block that army's own advance.

These considerations require most careful attention at the hands of those who are dealing with the vexed question of arms limitation. If gas warfare were outlawed, a nation on the defensive would in all probability be the heaviest sufferer from such limitation in time of war. Moreover, any treaty requiring the signatories to array themselves against a nation using gas in warfare would be dangerous, for such a provision might easily require the

signatories to join against a nation using gas only as a means of defense against some aggressor. No treaty should forbid a nation the right to use any weapon whatever within its own territory.

Is chemical warfare a menace to civilization? Terrifying pictures have been drawn of possible uses of gas against cities. It has been stated that twelve large bombs of Lewisite could annihilate the population of a city the size of Chicago or Berlin. As a matter of fact, Lewisite is not quite twice as toxic as mustard gas and is not today considered to be nearly so effective a warfare agent. This is because Lewisite is destroyed by moisture or by rain, and Lewisite vapor does not penetrate clothing to the same extent that mustard gas does. During the World War one ton of mustard gas caused on the average about thirty casualties. If the inhabitants showed proper care, twelve large gas bombs would probably injure few people more than a hundred yards distant from their bursts, while many close at hand could escape without any injury whatever. So let us temper imagination with reason.

The power of all chemical warfare gases to injure depends upon two entirely separate and distinct factors. One is the concentration of the gas in the air, and the other is the time of exposure. The injury is proportional to the product of the concentration and the time of exposure.

Warfare gases with high boiling points (low vapor pressure) cannot be obtained in the air in high concentrations, for according to well-established laws high concentrations of such gases condense out immediately and deposit as a liquid, which falls to the ground and evaporates slowly. Both mustard gas and Lewisite belong to this type of gas. The average mustard gas casualty reported to the First Aid Station about eight hours after exposure. Immediate danger with these gases arises only from the liquid or close to the shell or bomb burst.

If a volatile gas such as phosgene or hydrocyanic acid were used in an attack upon a city, high concentrations from a chemical warfare standpoint could be produced, not indeed by a few bombs, but by the use of many tons of gas. A gas concentration of only one part by weight in ten thousand parts by weight of air, over an area five miles by five miles, to a depth of thirty feet, would require eighty tons of gas. Gas in this concentration would be fatal if breathed continuously by an unprotected man for about an hour. Many immediate fatalities would indeed result and there is no intention of minimizing the horror of such an at-

tack. But the bulk of the population could save themselves by going at the first intimation of danger into any ordinarily tight room and closing the doors, windows and ventilators, for a volatile gas is blown away by the wind and even a four-mile-an-hour wind takes the gas away very quickly and dissipates it into the upper regions of the air.

Certain and complete evacuation of the civilian population of a city could be compelled by the use of tear gas, without the production of any casualties. There is no military necessity for the use of lethal gas against civilian populations, and those who are tempted to make such use of it will probably be dissuaded by the fear of retaliation and the fear of the condemnation of all right-thinking and civilized peoples. As Professor Nolf, President of the Belgian Red Cross, said at the opening of the International Congress of the Red Cross at Brussels in January 1928: "I believe it my duty to declare that the principal safeguard of civilian populations appears to me always to be that primordial rule that the operations of war between civilized peoples must be limited to the armed forces alone. If in the future a belligerent nation breaks this rule and attacks the population of defenseless cities back of the front, and submits them to the horrors of death by asphyxiating gases, it deliberately places itself under the ban of civilized peoples and exposes itself to the harshest and most justifiable reprisals."

Nevertheless we should consider whether it is possible to take effective steps to limit the manufacture of lethal gas and its use in war. Certain technical facts must first of all be understood. Table salt, water, coal, sulphur and starch or sugar are the only raw materials needed for the production of two of the most powerful war gases. Add to these lime, phosphate rock, arsenic ores, bromides and bauxite, and you have almost completed the list of materials needed for the manufacture of chemical warfare agents. The list should also include titanium and zinc compounds, which are used in the production of smoke screens. All of these raw materials find numerous uses in everyday commerce. To supervise or limit their production or sale is obviously impossible.

In the process of manufacturing the actual gas a number of so-called "intermediates" are produced. The list of intermediates is rather long, but the most important will be mentioned here because it has been proposed to limit or supervise the production of such intermediates "for use in war." The list includes chlorine,

sulphuric acid, hydrochloric acid, caustic soda, benzol, alcohol, acetic acid, acetone, calcium carbide, bleaching powder, aluminium chloride, sodium nitrate, sodium cyanide, chlorhydrin, diphenylamine, thiodiglycol, sulphur monochloride and arsenic trichloride. Every compound mentioned except the last three is an important industrial compound and is in large everyday use. No industrial expert would consider it remotely possible to control their manufacture or sale. The last three compounds are, or may be, used in the manufacture of mustard gas and Lewisite; but no gain would result from an agreement to regulate their manufacture.

The whole situation is well illustrated by the history of mustard gas. This compound had been known for years before the war, but large-scale manufacture was considered impossible until the Germans produced it from chlorhydrin, which they used in making indigo. The Allies had no supply of chlorhydrin and only after strenuous effort lasting a year did they succeed in the manufacture of mustard gas. Two new processes were found; neither of them required chlorhydrin. Thiodiglycol and sulphur monochloride may be used in the manufacture of mustard gas but they are not necessary. Arsenic trichloride is so easily manufactured that regulation of its production in time of peace would have no effect on the supply available in time of war.

After the war, an inter-Allied commission of chemists visited Germany to learn her secret processes for the manufacture of chemical warfare agents; they were shown the factories, but they learned almost nothing new. The factories were the same factories that for years had manufactured harmless products, such as dyes, perfumes and medicines. "It took forty years and more to develop these factories. Yet forty days saw many of their plants producing huge tonnages of poison gas, and as many hours were sufficient for others." Whether a chemical factory is to turn out beneficial medicines or death-dealing poisons depends upon the will of the operator. Generally speaking, the same retorts, filters, stills, centrifugals, boilers and machinery are as necessary and as useful for the one as for the other, and almost the same raw materials. In fact, the task of producing containers such as shell and bombs for use with gas would in all probability cause more delay in preparing for extensive chemical warfare operations than would the task of adapting chemical factories to the manufacture of war gases.

If in writing regulations for the manufacture of chemical war-

fare agents and intermediates we insert the words "for use in war," how could we discover the use which is really intended? The task would be hopeless. Often the manufacturer does not know who his customer will be and often he could only guess at the use to which the product is to be put.

This whole technical discussion is rendered almost useless by the fact that nations do not in the least care to manufacture and store chemical warfare agents in time of peace. Storage is troublesome and expensive; and it is easy enough to arrange to manufacture them beginning with the date of mobilization. Any nation with a well-developed chemical industry possesses *ipso facto* the means to manufacture chemical warfare agents. The size and character of the factories will be determined by the extent and nature of the nation's industries and not by treaty. Statesmen may decree that the product of these factories shall not be used in war, but they cannot diminish the size or equipment of the factories themselves. In other words, neither statesmen nor treaties can limit the real weapon — the power to manufacture gas.

Nor is it possible by abolishing chemical warfare to limit research for new poisonous compounds. They are a necessity of modern civilization. They play a necessary part in the development of insecticides, fungicides, germicides, disinfectants, preservatives, fumigants and medicinals. It has been estimated that the destruction caused by insect and animal pests in the United States reaches the astounding total of more than two billion dollars a year. The bubonic plague in India alone cost 8,000,000 lives in the first ten years of this century. Eliminate the rat, mosquito, flea and louse, and such diseases as malaria, bubonic plague, yellow fever and typhus would disappear from the face of the earth. It is certain that the death toll inflicted by these pests has far exceeded that of all the wars of all the centuries. Poisons form the chief weapons used in combating them, and we may therefore conclude that research upon poisonous compounds will certainly continue, and that it is essential that it should continue. Why fear increasing knowledge? It brings new powers as well as new responsibilities.

Efforts to agree to limit peace-time expenditures for chemical armament seem futile. For the fiscal year 1931 the total appropriation for the military establishment of the United States was \$341,050,664, of which sum the Chemical Warfare Service's allotment was \$1,295,215. Thus only 0.38 percent of the total

appropriation of the army was given by special appropriation to the Chemical Warfare Service. During the World War 19.39 percent of the total casualties produced in the American army were gas casualties. The appropriations for chemical warfare made throughout the world today are probably actually insufficient to provide adequate protection for the armed forces now maintained by the nations, and therefore could not wisely be subjected to further limitation.

Certain clauses in the Treaty of Washington and the Geneva Protocol are purposely worded so as to prevent the use of tear gas. But since it is now generally recognized that tear gas is a humane weapon, and can be effectively used to control mobs or an enemy not equipped with gas masks, it has been suggested that the term "poisonous gases" be substituted, apparently with the idea of permitting the use of tear gas. At this point it is necessary to make one of those statements which appear so contradictory to readers who are not familiar with chemistry. Most tear gas compounds are in themselves very toxic and poisonous. The most effective and harmless tear gas known is probably equally as poisonous, weight for weight, as phosgene, one of the most deadly of warfare compounds. The fact that the tear gas never produces fatalities or serious casualties is due to its physical properties, which are such that only very low concentrations can be obtained in the air under field conditions of use. These low concentrations are irritating to the eyes, but do not cause serious injury.

There is an old argument that any treaty which forbade the use of gas, and which would be observed and could be enforced, should be extended to other weapons, with the result that war itself would be prevented. Without answering this argument, which has some merit, the writer suggests that a treaty attempting solely to limit the use of gas should, if adopted, be worded somewhat as follows: "The signatory powers bind themselves not to use beyond the limits of their own territory gases or other chemical agents capable of producing fatalities in the concentrations used." This would permit the use of tear gases and also would allow a nation to use any chemical warfare agent whatever within its own territory. The use of chemicals as a means of defense would not be prohibited. And since no nation would use gas in a way to injure its own non-combatant population, a provision so worded would protect civilian populations against gas to the extent that such protection can be afforded by treaty.

SOVIET ECONOMY IN A NEW PHASE

By Bruce Hopper

IRONICALLY enough the capitalist countries have obligingly tobogganed into the depths of the depression just in time to give the Bolsheviks a breathing spell when they need it most — to consolidate their gains in a period of slackened tempo, to arouse fresh enthusiasm among the industrial troops by giving more attention to human needs, and to hasten the training of personnel for the plant already constructed. Further, as if to give point to the contrast between their labor shortage and the “panic of unemployment” elsewhere, the Bolsheviks — adopting the grand manner — have attempted in recent months to raise the standard of living and to promote “world revolution,” not by aggression, but by example.

This does not mean that Soviet Russia has entirely escaped the depression. It does mean, however, that the Bolsheviks have continued their advance, though more slowly than anticipated, despite the derangement of their export-import plans caused by falling world prices. Abroad, meanwhile, a number of academic groups and governments are studying the feasibility of adopting planning in emulation of Russia. But even a cursory examination discloses that the Bolsheviks have created in Russia three factors which do not exist to like extent elsewhere: *a.* a great national objective: to socialize and industrialize a backward country; *b.* a foreign trade monopoly: to shut off the planning system from the disastrous fluctuations of currency exchange; *c.* a coercive power, the centrally controlled police: to combat economic individualism and other forms of opposition to what the plan lays down as essential. Moreover, the development of Russia's economic life, year by year, is scientifically planned. Through all the cycles, whether marked by socialistic or capitalistic methods, constant revolutionary ends are kept in view — the achievement of a socialized economy, unified in plan and control, operating in a class-less society, and the attainment of prosperity and a high cultural level for society as a whole.

Can we recognize in the recent extension of capitalistic methods in Soviet Russia the beginnings of a new cycle? The evidence does not indicate that it is the end of the transition period and the true beginning of socialism, as proclaimed in Moscow. Nor, on the

other hand, is it a retreat to capitalism, as alleged by the foreign press. Rather is it a period of consolidation, following naturally the periods of destruction, rehabilitation, and feverish reconstruction through which the revolution has passed. To understand it we must understand those previous periods, in which the alternation in emphasis was somewhat as follows:

First cycle, Military Communism, 1917-21. Emphasis of state policy on socialistic methods; intense class war, centralization of control, prohibition of individualism, attempt at moneyless accounting; destruction of the capitalist order.

Second cycle, NEP, 1921-28. Emphasis of state policy on capitalistic methods; abatement of class war, decentralization of control, semi-toleration of individualism (competition between the socialized and private sectors), return of money and commercial accounting; rehabilitation of economic life.

Third cycle, Socialist Offensive, 1928-31. Emphasis of state policy on socialistic methods; reintensification of class war, recentralization of control, renewed attempt at moneyless accounting within the socialized sector; reconstruction along socialistic lines.

The first Five Year Plan called for concentration of effort on plant and producers' goods; the welfare of Soviet citizens was sacrificed. The Bolsheviks claim that the country has now been transferred from a predominantly agricultural to a predominantly industrial basis; that the stage is now set for socialism (by which they mean that economy is mostly socialized, planned, and controlled, and that society is practically reduced to one class with a new gradation based, not on possessions, but on service to the state); and that, therefore, the first part of the original program is substantially realized. Stalin announced last summer that "the main problem of the revolution has been solved." This accomplished, there came another turn of the wheel.

Present period, since 1931. Emphasis of state policy on certain capitalistic methods; relaxation of class war, decentralization of control in industry, semi-toleration of individualism outside the socialized sector, renewal of strict money basis in accounting; consolidation, and advance toward socialism by capitalistic means.

The second Five Year Plan, to go into effect January 1, 1933, has two characteristics of its own. It turns with new energy toward the development of Asia; and, without slowing up the building of plant, it gives much greater attention to the human element, to the welfare and training of citizens, the objective of the second part of the original program.

While the above generalizations omit much that is important,

such as the effect of the international situation at any given time, we can, with this background in mind, try to form an opinion as to whether the revolution is in a new phase, if not actually a new cycle.

II. REASONS FOR Milder METHODS

By 1931 it was realized that the rapid tempo set by the Five Year Plan overtaxed the capacities of certain basic industries, notably coal, iron and transport. More important still, it was found that machinery could be installed at much greater speed than raw peasants could be transformed into skilled operators. The cost of production has not come down, nor has the productivity of labor gone up, as rapidly as planned. Nor has the general quality of Soviet manufactures, though constantly improved, attained the standard expected.

The problem was declared to be one of labor deficiency and mismanagement. On June 23, 1931, Stalin summarized for a conference of industrial managers the six new conditions of industrial development which called for new methods. Since then the government has issued innumerable decrees calculated to correct the defects of labor and management. The general result seems to be a change in temper from the militant restrictions of the Socialist Offensive to the milder methods of the NEP.

In passing, it should be noted that conditions now are basically different from those at the beginning of the NEP. In 1921 the government had but little industrial plant, and the peasants' demand for a *quid pro quo*, goods for grain, brought business to a standstill. The government now has a huge industrial organization at its command, but lacks skilled manpower. The industrial proletariat has failed to keep the required pace in training. Also, in 1921, when the pressure was lifted, the country revived by consumption of the fat laid by during tsarist times. In 1932 increased consumption means inroads on accumulated socialist stores.

In terms of social engineering, both the NEP and the present period of change represent concessions, voluntary or forced, to the human beings who operate the machine, as distinct from the machine itself. It must be remembered, however, that even in their rosiest pictures of the future the Bolsheviks have always maintained that communism is impossible until human nature has been transformed, until work ceases to be merely the means

to support life, and becomes the first necessity of life. The "intermediate stage" of socialism is to be that time when the transformation takes place. Obviously it cannot yet be assumed that human beings find work as essential as eating and sleeping. Under the propulsion of organized enthusiasm for a distant objective they are capable of immense sacrifices. But the satisfaction of immediate wants cannot be too long neglected, the working strength exhausted by the first Five Year Plan must be restored, and the monotony of labor which continues to be primarily a means to support life must be relieved. Catering to the human weakness of mankind is probably the best way to describe the seeming relief which has now been given the workers of Soviet Russia.

III. MATERIAL INCENTIVES FOR SKILLED WORKMEN

For the purpose of this article we need describe the shift in methods only in general terms. Stalin's trump card in correcting the deficiencies of labor is to increase the material incentive to skilled workmen.

A system of organized incentive, called "socialist competition," developed with the first Five Year Plan. Labor groups are divided into rival units, matching their strength and skill. Distinction is awarded to the best group or individual, judged by quantity and quality of output. Red boards are set up for posting the names of the deserving, black boards for the reverse. Also, there are the shock brigades, or pacemakers, whose business is to put through special jobs in record time, and to demonstrate to the less enthusiastic the speed at which particular types of work can be done. The system has possibilities. But with so many shock brigades springing into existence this last year, the distinction of being a pacemaker began to wear thin. Nor did work seem to be the first necessity of life to all members of the shock brigades. Moreover, because of the labor shortage many workers were wont to behave as most humans do when in great demand. They tried to pick out factories which offered more favorable contracts. In some factories the labor turnover rose to 40 per cent every six months.

Stalin diagnosed the ailment as caused by "left-wing" theoretical equalization of wages. As a matter of fact, actual equality of wages has never existed. But there was an equalizing tendency, whipped on by the trade union leaders, who were supported by

the unskilled proletariat, by whom and for whom the revolution was said to have been fought. The difference between skilled and unskilled labor was beginning to disappear. The natural human result was that unskilled workmen lost what incentive they might have had to become skilled by taking the free training offered at night schools.

To remedy this situation, and to stimulate incentive for training, it was decreed that the wages of skilled labor, including the professions, be raised on an average of 30 percent, beginning October 1, 1931. In the metal and coal industries some of the increases are as high as 100 percent. The skilled workmen are likewise given special privileges in food supply and living quarters. The piece-rate system has been reorganized so as to mount in geometric progression. Since last April the collective farms have been operating on a piecework system, with norms fixed according to the degree of difficulty in different types of work, and to the amount of skill and experience required. And all economic organs are ordered to increase the percentage of profits which they set aside for prizes, for training employees, and for other forms of reward, such as educational excursions. The significance of this official differentiation is that service to the state supersedes class origin as the criterion of any one citizen's worth to the revolution.

Now, merely raising the wages of skilled workmen would not produce the desired incentive. There must be an equivalent opportunity to spend the enlarged income on things other than government bonds. Therefore, hundreds of old stores have been reopened, and hundreds of new ones established, in the campaign to meet the fourteen-year-old demand for consumers' goods. Even collective farms are invited to maintain retail stores of their own in the cities. It is expected that the physical volume of food on the market will be swelled by 25 percent in 1932, including one billion cans of preserved food, double the figure of 1931. And manufactured goods will be 20 percent more abundant. Carrying the grand manner still further, the government has ordered stores to lower their prices on an average of 30 percent. The enforcement of this decree is entrusted to Price Control Bureaus in all the large towns, backed up by the Workers-Peasants Inspection.

Of special interest in this scheme is the reliance placed on the *kustarny*, or handicraft workers. According to some estimates these small producers before the revolution supplied about 50

percent of the commodities used by the peasants and town laborers, roughly four-fifths of the entire population. With the liquidation of the private sector after 1928, they were taxed out of existence as producers, or made to work for the state. By the new decrees they are exempted from one-third of their taxes, and are even supplied with tools and raw materials as encouragement to produce as of old.

The government has likewise greatly extended the housing program. New construction of dwellings has been under way for some years. But because of the natural increase of population and the shift to new industrial centers the pressure for living quarters continues. A psychologically bad contrast is presented to the average worker between the new, well-lighted and well-ventilated factory where he spends his days and the dark, unsanitary rabbit-warren of pre-war construction which still serves him as a dwelling. The recent constructions reflect the social principle that group life, rather than family life, is to be desired. The sleeping quarters are invariably small, while the communal dining halls, clubrooms, assembly halls, etc., are very spacious. And city planning seems to have seized the Russian imagination. To coördinate this national effort a new All-Union Council of Municipal Economy was organized in November and given wide powers to hasten the construction of dwellings and to bring the standard of living conditions up to that of the new working conditions as rapidly as possible.

Thus the Bolsheviks are attempting systematically to raise the standard of living from the "sacrifice level" deemed necessary to carry out the first Five Year Plan. Soviet citizens enjoy more creature comforts, or are beginning to enjoy them. The effort of the last three years has been exhausting, the iron rations have been low. But even if no other factors had come into play the decline of sales abroad would in any case have meant an increase in the supply of food and goods at home. Now, whether the Bolsheviks in their wisdom have deliberately relieved the pressure, or whether they have been forced to do so, the result is the same for the mass of people. Granted the continuance of these conditions, it seems likely that the Bolsheviks will have under their control a greatly refreshed army of toilers, more capable of the *élan* necessary for carrying through the second Five Year Plan than would have been possible without the timely respite provided by the depression in capitalist countries.

IV. INDIVIDUAL RESPONSIBILITY

Remarkable, also, is the tendency away from group responsibility and toward individual responsibility in economic enterprises.

Most factories and other institutions are directed by collegiums, of which the department chiefs are members. Moreover, the management is subject to frequent inspection by financial agents, by the Workers-Peasants Inspection, by the G. P. U., by trade unions, by workers' committees, all of them instructing it how to run the enterprise. The discovery has now been made that this sort of group responsibility has drawbacks. It checks abuse of power by individuals, but it also gives the individual a feeling of irresponsibility. Stalin declared that irresponsibility, or "depersonalization," had become the scourge of industry.

He found the principal source of trouble in this case to be the continuous week of five days, which was adopted wholesale in 1929 to abolish Sunday and to keep the machinery turning all the time. It was a high-pressure system. Experience showed that the continuous five-day week was not feasible for all types of enterprise. For one thing, there were not enough experts to insure that the right technical control was constantly on the job. If the motor of a small factory broke down when its one electrical expert was having his rest day, the manager would have to suspend operations until the following day. And workmen and managers alike developed an impersonal attitude toward the equipment they used in common. In general, no one person was solely responsible for any one thing. This led to an alarming increase in carelessness, violations of discipline, breakage, and other forms of waste. More than that, the arrangement was not conducive to coördinated effort to raise the productivity of labor and to lower production costs.

The upshot was a series of decrees ordering institutions, other than those engaged in distribution, to abandon the continuous week, and to establish a weekly schedule of six days. On the sixth day all the personnel rests and the machinery is idle. This makes a month of five weeks, but does not bring back Sunday.

Typical of the move to fix responsibility on individuals is the decree which makes deliberate injury to machinery a criminal offense. If a machine is neglected, some one person or crew can be made to answer for it. There is likewise a new individual respon-

sibility vested in the directors and managers, whether members of the party or not. This emphasis on the importance of managerial skill is interesting. Marx, in his labor theory of value, seemed to deprecate the share of scientific management in production. And the Bolsheviks have probably relied too much on the native ingenuity of ordinary workmen to rise to the requirements of their tasks. At any rate, the manager has been clothed with new authority, and becomes a citizen of prime importance in the eyes of the Soviet state.

V. INITIATIVE

So much, briefly, for the new emphasis on material incentive to skilled workmen, and on individual responsibility. Let us turn now to a still more baffling problem which planning has brought to light, that is, the search for the proper balance between centralized dictation and local autonomy. In other words, with the managers of trusts not much more advanced toward the Communist ideal than are the workmen, how much initiative must be granted them to obtain the best results?

This has been a constant problem. Under Military Communism the ideal was a "single state factory." State enterprises then conducted their business on a non-commercial basis by documentary transfers through the treasury. With the reëntry of private business under the NEP, the unwieldy state enterprises were decentralized into autonomous trusts and were instructed to make profits. In 1927, however, they were ordered to adhere strictly to the plan assigned them from the center, whether profits accrued or not. After the Socialist Offensive began they were again recentralized, this time into huge, vertical combines, some of which united as many as two hundred enterprises. In 1931 the process of decentralization was once more put in motion.

This alternation between centralization and trust autonomy can be explained by the difficulties of socialist financing. The underlying problem is one of capital accumulation, since, in the absence of financial aid from abroad, the Bolsheviks have been compelled to rely on means within the country for developing industry. During the decade when the socialized sector was competing with the private sector there was a constant flow of capital from agriculture into industry, from light industry into heavy industry (from consumers' goods into producers' goods), all directed and planned. This pumping of capital from the private

sector into the socialized sector mounted year by year until — the peasants having been brought for the most part into collectives, and private producers likewise having been forced to abandon their activities — the private sector has been reduced to insignificance.

But, with these sources exhausted or socialized, the suction pumps of taxation, state loans, and state-controlled prices on consumers' goods no longer produce the huge net accumulations which in recent years have poured through the single funnel of the financial plan, to be expended as the state chose. In view of this Stalin declared that heavy industry, the main beneficiary of the redistribution of capital in the past, can no longer rely on these subventions, and must share in the accumulation of surplus capital. Bad management must therefore be corrected, the huge combines must be split up into workable units, and group control must give way to the individual control of a head director. Further, all economic organs must be transferred to a cash basis (*khozrazchet*, or Economic Accounting). This new system of financing is one of the keys to the present period.

It will be remembered that the Credit Reform of January 1930 abolished commercial credit between state enterprises, and replaced it exclusively by bank credit, with the State Bank acting as a clearing house. The bill of exchange was to be no more. The State Bank cleared transactions simply by deducting the price of goods from the credit of the purchaser and adding it to that of the seller. The Credit Reform was expected to reduce the need for money, as business within the socialized sector would be conducted mostly by bookkeeping. It promised an original way of freeing at least one part of the world from the slavery to gold.

However, defects of this "left-wing banking" immediately became apparent. Assured that their credit would be replenished from the state budget, the trusts indulged in uncontrolled purchasing. This led to "automatic crediting." Also, as the State Bank paid for goods whether they proved satisfactory to the purchaser or not, the sellers became careless in regard to quality. Worse still, the individual producers could not profit by their accumulations, which went into the general funds. Consequently they were deprived of tangible rewards for initiative in reducing production costs, etc. The result was financial disorder, which came to a climax early in 1931.

The commercial basis of accounting, which had been used during the NEP, was restored. The new Economic Accounting system, decreed March 20, 1931, makes it necessary to fix a credit limit for each enterprise. The State Bank now issues funds only on the presentation of documents over the counter to show that contracts have been fulfilled — goods produced, delivered, and accepted. Evidently there was some opposition on the part of the trusts, for by a decree of October 21 they were given until November 1 to change their credit system from a single to a double account — one for their own funds and accumulations, and one for the funds loaned by the State Bank which must be paid back by the term date. Two weeks later the Supreme Court of the Soviet Union ruled that violation of the Economic Accounting instructions is a criminal offense. Capitalistic money relationships are thus resumed after a year's trial of socialistic bookkeeping.

But other questions arise. If trusts are to be denied further credit because they have not fulfilled their quotas under the plan, then what becomes of the plan? If this situation should become general, if the tempo set proves too fast, then how will the planning system fare as a whole? How to grant the trusts enough initiative to serve as an incentive, without jeopardizing the plan, continues as a problem for the future.

VI. TOLERATION

Last to be noted, but in many ways most significant, is a relaxation of the terroristic methods which marked the drive for collectivization. The Bolshevik leaders feel more secure. Visible opposition has been liquidated and the atmosphere seems now to be less tense than it has been at any time since 1924. There are many indications of the change in temper. "Privateers" can again be seen, handicraft workers, and small traders in the illegal market. And Stalin, in declaring that the proletariat must create its own intelligentsia, urged that non-party workers be given the same opportunities for promotion as party members, so as to prevent the growth of a closed caste system. He likewise demanded that the party wipe out discriminations against those of the old technical intelligentsia who coöperate loyally. The purpose is to use all the available brains of the country in the campaign for training industrial personnel. So those who were "dangerous" yesteryear (many of them were deprived of citizenship

because of their class origin) are now granted the same rights in housing, food, schools for their children, and social insurance, which are accorded to the proletariat.

VII. MAN AND THE MACHINE

What we see going on in Russia today is an attempt to readjust the relationship between man and the machine. The mechanical equipment, prerequisite to the proposed industrial civilization, has been created at an unprecedented rate. But the human equipment, equally essential, has been relatively slow in arriving at the stage of efficiency and skill which the machinery on hand demands. The methods used by the Bolsheviks to stimulate the human advance, as described above, may be considered capitalistic. The appeal is to workmen and managers as individuals. But this does not entail a return to capitalism. Private ownership in the means of production remains abolished. It entails, rather, that the pendulum has again swung away from over-rapid centralization to a compromise with the industrial troops (to whom work is still a means of support, and not a first necessity of life); away from class war as a driving force to a semi-toleration of the human beings who are compelled to live under the ægis of planned economy.

The present period may be but a demonstration of tactics in the military science which, according to Lenin, inspires the directives necessary to reach the Marxian goals of collectivism. From this point of view, early 1931 marked the "culminating point of the attack," the time to consolidate the positions taken, to refresh the shock troops of assault, and to restore the morale.

Is this the start of the fourth cycle, set to begin when Soviet Russia has become economically and politically secure? Or is it merely another zigzag, a prelude to stricter control than ever before? That depends somewhat on the sharpness of the international competition after capitalist countries have recovered from their present economic troubles.

According to statements from Moscow, the industrial production mounted 20 percent in 1931 (a substantial advance, but not the 40 percent increase planned), the crop was better than average, but the foreign trade showed an unfavorable balance of 125 million dollars. While exact figures are not made public, the foreign commitments of the Soviet Government are estimated by the Amtorg at 400 million dollars. In some quarters it is believed

that the Soviet Government will follow the lead of other governments, and default. To meet the payments the State Bank claims to have 329 million dollars of gold in the vaults, which is augmented by a marked increase of gold production in Siberia. Whether or not any of these gold holdings are already earmarked for international payments is not indicated. But even though the prospects for increased income through sales abroad are not promising, and granted that anything is possible in Russia, default by the Soviet Government does not seem likely at present.

So, while we must wait for time and events to show whether or not the revolution definitely entered a fourth cycle in 1931, two conclusions are possible at present. The first is that regimentation has enabled Soviet Russia to weather the depression with fewer apparent economic dislocations than those which have shaken the capitalist world. The second is that the Bolsheviks are taking advantage of the breathing spell to shift their emphasis from the machine to the human beings who operate the machine. Moreover, since they repudiated pre-war and war debts alike, and do not participate in reparations, they are not faced with the financial dilemma which confronts other great nations. Nor are they troubled by frozen assets. Similarly, the present international military situation is not unfavorable to them. All in all, they feel free to take definite steps to improve the welfare of their people and to advance "world revolution" not, as they have threatened in the past, by open aggression, but by example.

1931

By Shepard Morgan

THE UNITED STATES IN WORLD AFFAIRS. An Account of American Foreign Relations, 1931. By WALTER LIPPMANN, in collaboration with WILLIAM O. SCROGGS. New York: Published for the Council on Foreign Relations by Harper and Brothers, 1932, 375 pp. \$3.00.

THIS book is the chronicle of a year, not the history of a period. Its starting line is a date and its finish is twelve months later. It does not, by reason of these time limitations, cover any rounded-out movement — a rise, development and decline. It is a faithful and stirring record of the events of a single year, which itself is barely ended; in its treatment it gives only such references to the past as are necessary to create perspective and it ventures no speculation as to the future. It is the first of a series to be published annually hereafter, differing from the Survey formerly published each year by the Council on Foreign Relations in that it is a running narrative of events as they occurred, whereas the Survey dealt topic by topic with individual phases of American foreign affairs. The difference between the two is the difference between the horizontal and the vertical method of treatment.

If Mr. Lippmann had attempted to deal with the events of 1931 according to the vertical method his work would have lost its moving quality as an installment in a continued story. Moreover, the vertical method presupposes that the sequences discussed shall already have reached an end or at least a stopping-place. No end and no stopping-place to the movements which dominated foreign relations in 1931 are yet in sight. Nor would it have been any more possible for him to have segregated our foreign relations into classes or groups. If the year demonstrated nothing else, it made it clear beyond peradventure that politics and economics, for example, act and interact upon each other, and that the political and economic history of this time is not capable of differentiation. The record of 1931 to be understood at all must be studied as a whole, for a study of the parts gives no more clue to the total complication than does the isolation of a germ give understanding of the sum of human illnesses.

To give weight and value to events and forces while they are still in process furnishes a task midway between journalism and

historical analysis. This task was admirably suited to Mr. Lippmann's peculiar gifts. He has succeeded, in collaboration with Mr. Scroggs, in fitting the developments of the year into an ordered perspective. He draws few conclusions, relying rather on the force of his exposition to guide the reader to judgments identical with his own.

The twelve months which the book covers begin with the opening of Congress in December 1930 and close with the opening of the new Congress in December 1931. A year of crisis in domestic affairs, it was no less a year of crisis in our foreign relations. Overshadowing both, and in part responsible for decisions made and unmade, was the economic depression; it has scorched and flattened every field of constructive human endeavor and has released political forces hitherto dormant. On the foreign policy of the United States it has exerted an influence which will probably continue long after the world has recovered from the paralysis and confusion into which it has been thrown. More than our share in the war, more than our desire to establish the peace, with inexorable logic the economic depression is countermanding the caution of Washington's farewell address and nullifying our policy of isolation.

The issue has been clarifying itself almost imperceptibly, partly because measures of self-containment have thus far failed to pull us back to the standard of prosperity we conceive to be ours, and partly from the pressure of developments abroad. Among the early efforts to preserve or restore our prosperity independently of foreign conditions were, of course, the Hawley-Smoot tariff, the operations of the Farm Board, and the restriction of immigration. Even before the ineffectiveness of these measures to raise prices and wages had become manifest, a movement was initiated which ran headlong into the principle of self-containment. This had its origin in the plight of silver. The United States is a surplus producer, and the causes for the collapse of prices centered in the Far East and in Europe. The Senate, acting upon a resolution reported by the Committee on Foreign Relations, requested the President to call an international conference on the status of silver. It was thus made clear that the Senate had no doubts that self-containment, in the case of silver at all events, would not bring back the price. While this conference was never held, negotiations looking toward the control of production and marketing by international action were undertaken in other

directions, contravening the theory of self-containment. Americans, official or private, participated during the year in negotiations on wheat, sugar, nitrates, copper and other products. The negative results achieved up to now are a matter of common information; the thing to be observed here is that international action on American initiative or with American participation was attempted at all.

The disordered market for raw commodities was of course particularly burdensome upon the countries of Latin America, since they rank among the largest producers of primary materials. While the revolutionary movements of 1930 and 1931 are often interpreted as the result of a widespread aspiration toward liberalism in government, it is nevertheless true that it remained for the economic pinch to awaken the mass of the people to a sense of political wrong. These disturbances were significant for the foreign policy of the United States, because in dealing with them the Department of State returned to the recognition policy of Thomas Jefferson, that is, an acceptance of the fact that every nation has a right to determine its form of government, thus tacitly abandoning the "moral approval" policy which Secretary Bryan inaugurated in respect of Mexico in 1913.

Another phase of our Latin American relations furnished at once a prelude and a contrast to the acute problems which developed in Europe. In both cases there was a vast investment of American capital; the contrast lies in the measures taken to protect it. During the first ten years after the war, South American countries, like many others, as well as like our own states and cities, rapidly expanded the public debt. The size of the loans was often too large and on the whole they were too numerous; they were based on a false conception of prosperity which the loans themselves helped to create. Most of these loans were sold to American investors, and under the stress of revolutions and the economic depression many of them passed into default. For the protection of the immense investment of American capital represented in them there was little which the Department of State could do. It had assumed no responsibility toward the American public for the repayment of the loans, and above all it had no measures of relief which it could apply to the debtor states so that they could continue to meet their obligations in the face of local distress. Its attitude became therefore that of a benevolent

bystander, and the initiative for protection passed to the interested bankers or the bondholders themselves.

Similar in origin, in that they also marked the first ebullient phase of America's experience as an exporter of capital, were the American investments in Germany. But the sequel was very different, and this difference was due mainly to the existence of the inter-Allied debts. The debts indeed furnished the occasion for the most dramatic departure from isolationist principle which the record of the year affords.

This was the Hoover moratorium. The background to the proposal can be briefly told. Just as in 1914, the trouble which led up to the June 1931 crisis in Germany, started in Austria, or rather as a phase of the long process of dissolution of the Austro-Hungarian Empire which began in 1848. Whether, as the Germans say, the Austrian Government declared itself unable to go on without a customs union and threatened to conclude one with another neighbor if Germany refused, or whether, as others say, Chancellor Brüning felt the need of a diplomatic victory in foreign policy and seized upon a prelude to the *Anschluss* as the means, at all events we are accustomed to date the acute difficulties of 1931 from March 21, when the official announcement was made that Germany and Austria had agreed to form a customs union.

These difficulties had been foreshadowed in the German election of September 1930, when the parties of the extreme Left and Right took nearly 43 percent of the seats in the Reichstag. But in February 1931 the Nationalist Party seemed to be disintegrating, the National Socialists (Hitlerites) had discredited themselves by walking out of the Reichstag, and the Communists, who had the fewest seats, were not, by themselves, a menace. Then came in March the customs union proposal, with its darkening of the political horizon, particularly between Germany and France. What part the customs union proposal played in precipitating the collapse of the principal Vienna bank, the Oesterreichische Kredit-Anstalt, cannot with certainty be said now. But that collapse undermined confidence not only in Austria but in Germany also, where the financial structure had been none too secure since 1929. Recurrent budget deficits, rising unemployment, poor conditions in business, the practical cessation of American long-term lending, and a vast volume of short-dated debt which foreigners could call home on short notice — all these left Germany

peculiarly vulnerable. Her position, furthermore, became clear to the world in July when the Chancellor, Dr. Brüning, issued his third emergency decree calling for still higher taxes and further drastic cuts in the budget. This decree was published on the eve of his week-end visit to Chequers, which by coincidence or otherwise was so timed as to take on the appearance of a last-minute appeal to Germany's creditors. Seepage of short-term funds away from Germany now became a flood, and the collapse of the entire German economic system was in sight unless prompt steps were taken to prevent it. This was the situation, fully verified by Secretary Mellon who chanced to be in London, which brought President Hoover face to face with the necessity of using any means at his disposal for bringing relief.

Quite apart from any humanitarian or theoretical inducements which may have influenced the President to intervene in Europe, the practical considerations were overwhelming. German long-term loans issued in the United States, including the two Government loans offered in connection with the Dawes and Young Plans, amounted to about \$1,250,000,000. These bonds were very widely held, by individuals, corporations and banks — the latter mostly small banks in country districts. As for the German short-dated debt, the American share in it at the middle of June was certainly not less than \$750,000,000 — and probably more — and was held on the whole by upwards of one hundred city banks from New York and New England to California. In addition, American industry to some extent before the war, and to a large and increasing extent during the ten years after it, had established factories in Germany or purchased interests in German concerns. The Department of Commerce estimates the value of this investment at nearly \$250,000,000. All told, then, the American financial interest in Germany at the time of the moratorium was around two billions and a quarter, and much of it was widely distributed throughout the country.

The Federal Government had of course done nothing to encourage this vast investment on the part of private citizens, and its direct responsibility under the prevailing code was therefore nil. But Mr. Hoover was confronted with the fact that the investment existed and that its loss might cause repercussions more formidable still. He had yet another practical consideration. This was the fact, not theretofore admitted in principle, that practically all of the \$246,000,000 due in the financial year

1931-32 to the United States Treasury from foreign governments came directly or indirectly from Germany. Obviously, if the German economic structure collapsed, Germany could not provide these sums, and the question would then arise whether her creditors and our debtors could or would provide them out of their own resources. It was therefore the part of good business to bring about the postponement of a portion of Germany's obligations in the hope that the major collective interest of the American people in Germany would be protected. As Mr. Hoover remarked in his public statement explaining the moratorium proposal, it was a suggestion "to the American people that they be wise creditors in their own interest and be good neighbors."

The proposal, however, had one flaw which almost proved fatal to it: it did not fit into the framework of the Young Plan. It was natural that France, as the principal beneficiary under the Young Plan and as a relatively small holder of German private debt, should hold out until the legal fabric of the Young Plan was fully respected. During the negotiations the run on Germany was resumed, and the German economic system was called upon to pay in a few weeks rather more than the moratorium was designed to save it through a full year. In consequence of this run, the principal banks in America and England entered into an informal understanding among themselves to let their German credits stand. This understanding was later made formal in two successive "standstill agreements," entered into by all of Germany's important banking creditors in response to a request of the governments represented at the London Conference of July, in which the Secretary of State of the United States officially participated.

The element which was present in the case of Germany and wanting in the case of Latin America, the factor which determined the whole course of the moratorium affair, was the inter-Allied debts. They furnished the Federal Government with a handle which it could use for the benefit of Germany and hence for the protection of Germany's creditors. This leads to the conclusion, ironical to anti-cancellationists who are also isolationists, that it was the inter-Allied debts which determined the fact of intervention in Europe.

Mr. Hoover subsequently withdrew somewhat from the position which circumstances had thus forced him logically to take. Far from utilizing the debts to induce a lasting settlement in

Europe, he fell back on the isolationist principle that Europe should settle its own affairs. In this he undoubtedly acted in accordance with the prevailing mood of Congress. The upshot of his conversations with M. Laval the following October was that the initiative with respect to intergovernmental obligations, which include reparations, "should be taken at an early date by the European Powers principally concerned within the framework of the agreements existing prior to July 1, 1931." At the same time, through Senator Borah's interview and other channels, it was made evident that our official and public opinion would become less intransigent if equitable political readjustments were made in Europe. M. Laval thus got a free hand, but on the understanding that before we would be ready to consider putting a capstone on the building we must be satisfied that the foundations were sound. The debts thus passed from an active to a passive part in the program, but remain potent nevertheless to intrude upon our isolation.

The question of arms limitation does not appear to have involved isolationist policy one way or the other. Disarmament presents just that combination of idealism and practical benefit which to us as a people is the final seal of rightness. Some writers are wont to point to the Washington Conference, the six preparatory disarmament conferences and the present conference at Geneva as signs that we are emerging from our isolation. Looked at closely, this does not seem to be so. The various kinds of disarmament conferences do not look to continuing collaboration; on the contrary, when an agreement shall have been arrived at, then in theory the nations shall disband (save for a possible disarmament commission which shall see whether the agreements are kept) and return each to his own business. In entering into collaboration on disarmament, therefore, we leave the door open behind us.

Nor does our rapprochement to the League of Nations indicate any real change of policy. As Mr. Lippmann points out, this rapprochement since the election of Mr. Harding has been due largely to changes in emphasis within the League itself. Article XVI, providing for the use of force to maintain peace, has gradually subsided into the background, and the League has evolved "from a League to enforce peace into a League for conferring about methods of preserving peace," an evolution in the direction of American methods. Our other participations in the League —

on scientific, economic and social welfare commissions, to the extent of some three hundred American members — do not in any real sense violate the isolationist policy; on the contrary, this form of collaboration is a compromise, for it permits our citizens to contribute to the solution of world problems without involving the United States.

One significant exception to the practice of coöperation without commitment occurred at the end of 1931, and it is interesting that it occurred as the direct result of an American plan. The Kellogg Pact was expressly designed to mobilize the moral sentiments of the nations without in any way involving their material resources. Yet as a result of the tacit violation of the Kellogg Pact by Japan in September the United States permitted its consul in Geneva to sit with the Council of the League for the purpose of discussing the application of the Pact. The move in itself was abortive, partly because it was a purely occasional matter and partly because, being taken under the ægis of the Kellogg Pact, action was necessarily confined to protest. At this stage it is impossible to say how far this piece of coöperation which does not involve commitment will lead us. We are deeply concerned in the Far East, not only commercially but traditionally as a champion of China from the days of the Open Door Policy to the Nine Power Treaty, and in any action we may take in that particular theatre of disturbance we shall inevitably find ourselves acting in international coöperation. Aside from any importance which our action may prove to have had in shaping events in the Far East, the fact should not be overlooked that the Secretary of State has worked out and inaugurated a method by which this Government can collaborate with the ranking body of the League of Nations.

It is due Mr. Lippmann to say that the emphasis placed here on the question of isolation is not characteristic of his book. It derives rather from the logic of the events which he narrates. He lets his narrative speak for itself, and points few general morals; in default of them the following observations will serve.

It is as well known abroad as it is here that such sallies as we have made from the isolationist position have been made reluctantly. They have been sallies in the strict sense of the word, not only because the way of retreat has always been kept open but because they have been ventured upon as exceptions to an otherwise fairly consistent policy of defense. But isolationists are not

confined to the United States; they are symptomatic of the revival of nationalism, itself a product of the antagonisms engendered by the war and a reaction of alarm against the way in which the modern world is being drawn closely together. To an extent, also, the policy of isolation has found advocates abroad in imitation of ourselves; if high tariffs and industrial self-containment coincided with post-war prosperity in America, it was argued that they might produce the same happy result elsewhere.

For our own part, we in the United States have attempted to wall ourselves in as an economic unit, safe from foreign attack, while at the same time keeping the outlet open for the distribution of our exuberant production of goods and capital. In order to make this practice consistent with the principles of political isolation, we have developed the compromise theory that economics and politics occupy separate spheres, that we can do business with foreign countries without involving political relations. The trouble is that the compromise does not work. Time and again we have seen politics cross the frontier of economics, and economics invade the field of politics. Never has this been so clear as in 1931, when the depression has sharpened human impulses and diminished powers of resistance. Political difficulties have had their main origin in economic dissatisfactions and economic difficulties are insoluble without political revisions. Thus is the union complete.

International economic conferences and financial agreements, the moratorium, arms limitations and Manchuria, these are all part of an endless chain of sequences. It is useless to pretend that when the problem of reparations and the debts shall have been solved we can settle down to a simple business relation with Europe, useless to suppose that arms limitation, once achieved, can be dismissed from international politics, or that the trouble in the Far East is the last case in which our interests and commitments will force us to intervene abroad. As surplus producers, both of goods and credit, our network of business is cast over the whole world, and it is a world in which the unequal degrees and kinds of civilization, like the uneven cooling of the earth's crust, are always casting up disturbances.

THE PROTECTION OF AMERICAN FOREIGN BONDHOLDERS

By Allen W. Dulles

THE activities of our bankers in sponsoring the sale of foreign securities in the American market is now under investigation. This is not surprising when we consider that out of a total of approximately eight billion dollars of foreign loans floated here during the past ten years, almost one billion are either in default or will shortly be in default as a result of the moratorium legislation which has been adopted by various foreign debtor countries. In addition, many other foreign issues are selling at a fraction of the price at which they were originally marketed. The American investor is a newcomer in the field of foreign financing and his first and possibly natural reaction is to place the blame for this situation upon the bankers who have sold the securities. Granted that there was over-lending during the past few years, and that other mistakes have been made, we nevertheless are perhaps inclined to exaggerate the bankers' share of responsibility. The foreign loans sponsored by the most experienced of the European bankers have suffered in much the same way as our own and they have been partners with our bankers in many of the foreign issues which originated in the United States. It is true that we have recently been the largest lenders to foreign countries, but this is largely accounted for by our possession of available capital seeking employment rather than by any fundamental difference in policy between the European and the American houses of issue.

Where there have been widespread defaults on foreign issues the direct cause, both in the past and at the present time, can be traced to a world-wide depression. For example, it is calculated that the North and South American securities listed on the London Stock Exchange depreciated over \$500,000,000 during the five years preceding 1895, and the British investor had a somewhat corresponding loss in the years following the depression of 1873. These depressions were no more predictable than the present one; the consequences to the investor were much the same, and it is hardly fair to saddle the bankers with sole responsibility for failing to forecast and provide against such conditions.

Even though the European bankers may not have been much more astute in the selection of foreign investments than our own bankers, their long experience in dealing with foreign financing has enabled them to develop a special technique in the handling of defaults on foreign issues. We should not overlook the lessons of their experience. It is clearly desirable to investigate the mistakes of the past in order to prevent a repetition of them, so far as they are avoidable; but it would be unfortunate if at the same time we did not make a careful study of the most effective means of curing existing defaults on foreign issues, or at least of salvaging for the American holder of foreign securities the maximum that can be obtained.

When domestic issues go into default there is a time-honored method of procedure for the bondholder to follow. A protective committee is formed, generally on the initiative of the bankers who sponsored the loan, bonds are deposited with the committee, and the debtor (unless a municipality or other public body is involved) is forced to reorganize his business and adjust his capital structure, or his assets are liquidated and distributed to the bondholders. If a domestic municipal obligation is involved, the procedure may be somewhat more cumbersome and less under the control of the bondholders; but generally remedies are available and there is a reasonably clear course to follow.

Cases of default under a foreign bond issue, where a foreign government, state or municipal obligation is involved, present a very different type of problem. And it is this type of default which is involved in most of the foreign dollar issues on which payment has recently been suspended. Here there is no effective remedy at law. Even where the general laws of a foreign country permit suit to be brought, and this is rarely the case, legal action would be futile. In most cases specific moratorium legislation, or legislation preventing the transfer from domestic to foreign currency, makes any effective recovery at the present time impossible. The only course for the bondholder in such cases is through negotiation with the debtor. It is obvious that such negotiations cannot be carried on by the individual bondholders. Any hope of success depends upon concerted action through some agency which has authority to speak for, and to conclude arrangements on behalf of, the bondholders. The initiative for such concerted action can hardly be left to the widely scattered holders of this or that particular issue.

Before considering the particular problems presented by the default on foreign issues recently floated in the United States, we may find it helpful to review the precedents which have been set by England, France and certain other European countries.

The Corporation of Foreign Bondholders was founded in England in 1868 and was reconstituted in 1898 under Act of Parliament. The Council of the Corporation consists of twenty-one members, of whom six are nominated by the British Bankers Association and six by the London Chamber of Commerce, with nine members nominated by the other twelve. The British Bankers Association is composed of representatives of the commercial banks, rather than of the houses of issue. The original funds of the Corporation were obtained through the subscription of £100 each by 1,000 individual holders of defaulted foreign state securities. This fund has been increased from time to time from various sources; and at the present time the invested funds of the Corporation amount to about £200,000. The objects and scope of the British Corporation as summarized from its Charter are:

To watch over and protect the rights and interests of the holders of foreign securities; to collect and preserve statistics, reports and data; to adopt measures for the protection, vindication and preservation of the rights of the holders of foreign securities, either on any default or upon breach of any condition under which the securities have been issued; to negotiate, or to assist in negotiating, resumption of payment or settlement, of issues in default; to convene meetings of holders of public securities for the purposes of concerting with them the requisite measures to be adopted on their behalf; to organize and despatch representatives to carry out direct negotiations with the defaulting obligor; to render assistance to, and support measures and enterprises calculated to maintain and promote public credit; and to benefit the holders of foreign securities.

In the event of default on a British issue placed abroad, the British Corporation usually calls a meeting of the interested bondholders, suggests a particular committee to deal with that particular default, and then lends its facilities and services to the committee to help in negotiating a settlement. The issuing bankers are generally represented on this committee. The expenses of the committee are met out of the funds of the Corporation and recovered when a settlement is made, either from the state concerned or by a pro rata charge upon the bondholders concerned. The members of the Council have no interest in this fund, which is administered by the Council of the Corporation on behalf of the general interests which it represents and not for profit. In cases

which do not seem to call for the formation of a particular committee, the Council of the Corporation acts directly on its own initiative in defense of the bondholders. In a recent letter descriptive of the Council it was pointed out that the British issuing bankers are thus saved the necessity of choosing between offending a foreign state by strong protest or offending the bondholders by inaction. During the sixty odd years of its existence the Corporation has been concerned in the settlement of debts aggregating approximately \$5,000,000,000.

The French Association — *Association Nationale des Porteurs Français de Valeurs Mobilières* — was organized in 1898 by the Paris Stock Exchange at the request of the French Minister of Finance. While authorized by its Charter to protect the holders of domestic as well as of foreign issues, the Association has largely exercised its functions on behalf of the latter. The purpose of the association was to serve as a center of information and as an organization for the defense of the interests of the bondholders. It is administered by a Council composed of nine members — at present including representatives of the Stock Exchange, of two of the larger commercial banks, a leading professor of law, and a former representative of the Minister of Finance. The Association is financed by the Stock Exchange and by contributions from other subscribers. The activity of the Association is very similar to that of the British Corporation of Foreign Bondholders; that is, the Association takes the initiative in determining whether the formation of a protective committee for a particular issue in default is desirable. Several other European countries have institutions somewhat similar to those existing in England and France, although of course as those two countries have done the bulk of the foreign financing originated in Europe the need for elaborate organizations has not been as keenly felt elsewhere.

In considering the question as to whether there should be an American association of the above type for the protection of the holders of foreign bonds, three questions naturally arise: Is there a real need for it, which is not otherwise met? What should be the character and duties of the association? How could the association be financed?

Obviously there is no reason to follow blindly the lead of other countries, even though the institutions they have established have proved useful in their cases. The American banking system differs in many respects from the European. Foreign financing in

the United States has been in the hands of a large number of banking institutions with diversified and often conflicting interests, and these banking institutions in most instances have indicated a willingness to watch out for the interests of the holders of defaulted bonds which they have sponsored. In England and France the number of issuing houses is relatively restricted and their coöperation with a protective association can be easily arranged. In Europe the governments have guided the policy of the bankers to a degree unknown in this country. These are only a few of the points of difference. We should examine the American situation *de novo* before deciding whether under conditions as they exist in this country a protective association could fulfil a useful function and whether it is necessary, in view of existing organizations. We already have the Foreign Securities Committee of the Investment Bankers Association, and the Institute of International Finance which is conducted by the Investment Bankers Association in coöperation with New York University. The Institute has performed a very useful work in collecting and disseminating data about the financial situation of various foreign states which have borrowed largely in this market and about the action taken by countries in default to preserve their credit. The Institute may consider enlarging its functions, and take the initiative necessary to bring about the formation of protective committees. It is already committed to opposing the further issue of securities by a country in default when this would be detrimental to the holders of that country's obligations.

Notwithstanding the particular character of our banking system and the existence of the Institute of International Finance, there are reasons which justify giving the fullest consideration to the organization of an American association for the protection of foreign bondholders somewhat along the lines of the British Corporation, provided proper personnel and adequate financial backing can be found.

In many cases the issuing bankers are those logically indicated to take the initiative in protecting the holders of defaulted foreign issues which they have sponsored. Often, however, this is not the case, and there are other occasions where the bankers, although able and possibly willing to take action, are not the best qualified under the circumstances to be of help to the bondholders. There are also situations where the bankers have other interests which make it difficult or embarrassing for them to act. For example,

several of the American houses which originated foreign issues have passed out of existence since 1930, or have entirely withdrawn from the type of business which qualifies them to act effectively in the foreign field. There are other cases where the bankers have sponsored the issue of bonds of a certain obligor, and have subsequently purchased and now hold the short-term obligations of the same debtor. When only a limited amount of foreign exchange is available, it obviously places the bankers in an embarrassing and difficult position to make representations as to how that foreign exchange shall be allocated as between the short-term obligations which they hold, and the long-term bonds which they have sold to the public. In some countries the issuing bankers are the fiscal agents for the obligor in default, or have local business interests in the country in default which are dependent upon the cultivation of good relations with that country's authorities. In either case it may be embarrassing for them to take the vigorous action which might be required to enforce the rights of bondholders. In some instances the bankers have negotiated their bond issues with a governmental régime which has been overthrown by revolution, and hence the bankers have become *persona non grata* to the present authorities in the debtor country. In all of these cases an independent organization directly representative of the bondholders and not controlled by the issuing bankers might render the bondholders effective help.

Holders of defaulted bonds readily become critical, and in many cases unfairly so, of the banking house which sold the bonds. They often incline to discount the representations of the bankers as to the steps which they are taking to cure the default, to be dissatisfied with the activities shown on their behalf, and even to ascribe to ulterior motives any representations by the issuing bankers that the time for action on their behalf has not yet arrived. This state of mind often makes the bondholders an easy prey for exploitation by unqualified persons who, acting primarily in their own self-interest, offer their services in the guise of a protective committee.

Where a foreign state has placed its bonds with various American banking houses, the organization of separate committees for each issue, without some coördinating agency, may lead to conflict between the different classes of bondholders, and retard collection by any of them. Further, in many cases the bonds of a foreign state have been placed simultaneously in the American

and in European markets. A central American organization would afford a more effective means of coöperating with similar organizations in England or France, for example, than would be possible if such coöperation were solely through diversified groups of bankers. This will be particularly true if negotiations for the resumption or readjustment of the debt service require collaboration with other creditor nations which have centralized organizations to deal with such situations.

Customarily the governmental machinery of European countries is exerted on behalf of their nationals' claims abroad more vigorously than is the case under our system of government. In this situation the effective protection of American holders of foreign bonds will require the utmost vigilance to counteract pressure of a political or economic character which may be brought to bear by foreign governments whose nationals are likewise the holders of defaulted foreign obligations. This will be particularly true in connection with the defaults in Central European countries. In England and France, for example, the central organizations representative of the bondholders enjoy the confidence of the governments in those countries, and this will tend to facilitate coöperation between the government and representatives of the bondholders in protecting investments which those countries have made. In most cases of default there will be a limited amount of foreign exchange available to meet the service of bond issues and even assuming that no outside pressure is brought to bear, it will be no easy task for the state in default to decide how that exchange should be allocated. Obviously the claims of English and French bondholders, represented as they are by a central organization in each country and with government coöperation, will be in a particularly favorable position to urge their claims for the lion's share of available foreign exchange. Our Department of State and our representatives abroad are undoubtedly anxious to exercise their good offices to prevent any discrimination against American bondholders, but they may often find it difficult to make this coöperation effective on behalf of a large group of American bankers who may themselves have conflicting interests and who may be tempted to play lone hands in the hope of securing special privileges for their particular bondholders. Certainly the coöperation of the Department of State and of our representatives abroad could be more easily obtained on behalf of our bondholders if our government could deal with or

through some central organization of high repute, not organized for private gain and acting solely in the interest of the American investor.

As things are at present in this country it is often difficult to secure sufficiently prompt coöperation among our bankers to prevent decisions being taken abroad which are favorable to the bondholders of other countries and detrimental to American bondholders as a whole. This can best be illustrated by consideration of what has recently happened in the case of Hungary. The Government of Hungary has enacted moratorium legislation, which means that there will be default on many of the Hungarian securities held abroad. In a statement regarding the moratorium the Hungarian Government has listed certain issues which are to receive priority in securing foreign exchange. This list includes eight loans as to which, in the aggregate, European rather than American interest is overwhelmingly predominant. As a sop to American sentiment the United States Government Relief Loan to Hungary is listed second; but as the service on this Loan, now suspended by the Hoover moratorium, is in any event only about \$100,000 per annum, this is not a costly exception when contrasted with the disregard of other Hungarian dollar bond issues on which the annual service charge is approximately \$7,000,000 per annum. The favorable treatment afforded certain European creditors of Hungary is probably due in no small measure to their ability to act promptly and in a concerted manner and thus to secure the support of their governments. In fact the Hungarian Minister of Finance has suggested that American creditors should appoint representatives, following the example of the English creditors, to discuss the treatment of Hungarian dollar bond obligations. The incident should serve as a warning that with the European bondholders organized as they are and enjoying the support of their governments, they will be in a position to obtain more consideration from foreign debtor governments than we obtain unless American bondholders are organized to exert prompt pressure, with proper support from Washington.

It is always easier to describe the theoretical advantages to be derived from a new organization than to indicate exactly how it should be constituted and precisely what it would do. If a bondholders' protective association is to be of value it is essential to find qualified persons with the necessary prestige and authority to form the council of the association. Unless this council enjoys

the complete confidence of the bondholders, and is in a position to secure the willing coöperation of the bankers, the association would do more harm than good. Further, the sponsorship of the association would have to be such that our government authorities would feel free to coöperate with it and lend it full support. In England the British Corporation is organized under a special Act of Parliament; in France the Association was constituted on the initiative of the Minister of Finance. Any corresponding American association would be more effective if it had similar government support or approval.

A large group of American citizens and American institutions are very vitally interested in the proper handling of their claims under defaulted foreign bond issues, and delicate questions of international relations may be involved in the adjustment of debts involving foreign governments. There is, therefore, a legitimate national interest in the situation which would justify the initiative of our government in arranging for a committee of eminent private citizens to study the situation and recommend whether an association should be formed and, if so, what character it should take. Much publicity has already been given to the legislation proposed by Senator Johnson to control future foreign financing. For the moment, at least, this is an academic problem, as economic conditions in general and the burnt fingers of recent investors in particular constitute a more effective brake on foreign lending than any amount of legislation. The immediate problem before us is to adjust past operations to present conditions in a way to avoid international complications and to promote the normal flow of trade and of capital between countries, and while domestic legislation dealing with the machinery for clearing up past defaults would be inappropriate, some government initiative would certainly seem justified.

An American association should not be composed primarily of representatives of the issuing bankers nor should it be organized for profit. The size of the council of the association would depend upon the number of really qualified men who would consent to serve. Probably a council of between five and ten persons would be sufficient. Persons should be selected who have no conflicting banking or commercial interests and whose time is not so completely taken up with other matters that they would be unable to give attention to the activities of the association. Probably the head of the council should give it his entire time, should receive

adequate compensation, and should have a small permanent staff. Members of the council, as in the case of the British Corporation, should receive a fixed fee for attendance at meetings. It would not be easy to find the right men to act as members of such a council, but until the attempt has been made one cannot say that it is impossible.

The functions of the council of the association would probably be somewhat similar to those of the corresponding British and French associations. It would propose, probably in coöperation with the issuing bankers, the organization of particular committees to deal with particular defaults. If the issuing bankers for one reason or another failed or were unable to take timely action, the council would take the initiative alone. In many cases the council would be able to take action in situations of general interest to American bondholders where committees had not yet been formed, or where it might be deemed premature to form such committees.

Obviously the council of the association would not have any authority to commit the bondholders or in any sense to represent the bankers, unless specifically authorized to do so. It would help the bondholders to organize for their own protection, where this had not already been done, and would facilitate coöperation between the bankers in situations where the general interests of a diversified group of bondholders were at stake. In this way the association would not usurp any existing functions but it would furnish the motive force necessary to get proper action started; it would coördinate different agencies and it would bring to the attention of both bankers and bondholders any situations which might be calculated to prejudice the claims of American holders of foreign securities.

An attempt to form an American association would be useless unless there were prospects that it could be properly financed during a trial period of a few years. The financing would have to be adequate to permit the payment of the permanent staff, including the executive head of the association, and to provide for running expenses. In the case of the British Corporation, for example, the ordinary running expenses average about £12,000 per annum. This is apart from expenses incurred in litigation or the special negotiations of the various committees. Certainly several hundred thousand dollars should be available before any American association is launched. Once given an adequate start,

the American association (as has proved the case with the British association) could probably care for current expenses out of the proceeds of the settlement of claims and at a very small cost to the bondholders. As the bankers would certainly be saved considerable expense by such an association, they possibly would provide some of the funds; and the New York Stock Exchange, which should certainly be represented on the council, might also be a possible contributor. Chiefly, however, the initial financing should be sought from those for whose benefit the association would be established, namely, the holders of foreign bonds, and probably largely from institutional rather than individual holders. There is a possibility, too, that the public character of the association would justify philanthropic foundations in giving their support. The cost of the association would be negligible as compared with the amount of outstanding foreign bonds in default, and if the advantages which the bondholders might derive therefrom could be brought home to them, it does not seem unreasonable to expect that funds would be forthcoming.

Despite the blow which foreign financing in the New York market has received in consequence of recent events, we shall again be lending money abroad before many years. Certainly this will be true if we are to maintain any considerable foreign trade. The experiences of both England and France, which in the past have suffered like losses on their foreign investments, show that a reverse such as we are now witnessing is not a permanent deterrent to foreign investment. However, before further American capital goes abroad, existing defaults must be settled, complicated negotiations will have to be carried through, and in connection with such negotiations refunding operations will probably be necessary. The restoration of our prosperity is in no small measure dependent upon the restoration of conditions which will permit credit to pass more normally between the nations. In working out a general settlement of foreign defaults, then, the activities of an American association for the protection of foreign bondholders, properly constituted and adequately financed, should be of great assistance — to the bondholders, to the bankers and to the country at large.

JAPANESE FINANCE SINCE THE WAR

By A. Andreades

IN OUR day even a victorious war is followed by great financial difficulties, either because the state is obliged to liquidate its short-term debts and other obligations contracted during the hostilities or because many states are prone to allow themselves to be dragged into great social expenditure. Often both reasons operate. This has been the case in Japan; but there the post-war period has been a time of even greater difficulties than elsewhere for a third reason — one peculiar to the Empire of the Rising Sun — namely, that since 1895 each successive war won by that Empire, instead of assuring a period of peace, has brought in its train the anticipation or fear of a still greater war.

Thus, on the morrow of the Treaty of Shimonoseki (April 1895) Japan was forced by the intervention of Russia, backed by France and Germany, to renounce the continental territories ceded to her by China. To the irritation caused by this intervention were soon added the fears inspired by Russia's acquisition of Port Arthur and by the completion of the Trans-Siberian railway. The consequence was that Japan quintupled her ordinary budgets for the military services — from 12,402,000 yen¹ in 1894 to 60,865,000 yen in 1903-04 — and in addition, during the period between 1896 and 1904, devoted to these services extraordinary expenditure to the amount of 421,440,000 yen. This sum was considerably in excess of the 365,529,067 yen paid by China as war indemnity. Hence Japan's public debt rose from 295,807,000 yen in 1895 to 552,181,000 in 1903, while during the same period the existing taxes were increased and new taxation was created. The ordinary state revenues, which in 1894-95 did not exceed 89,700,000 yen, reached the figure of 221,200,000 in 1902-03.

The Treaty of Portsmouth was followed by apprehensions similar to those caused by the Treaty of Shimonoseki. In the course of the Portsmouth negotiations Russia had shown herself firmly resolved to accept no limitation of her naval power in the Far East. The Japanese were convinced that this attitude betrayed a hidden purpose of *revanche*; and they considered that a fresh war was the more to be feared in proportion as they them-

¹ Except where noted all figures in this article are in yen. The par value of the yen is just under half a dollar, *i.e.*, \$.4984.

selves would be less prepared for it. Therefore they proceeded to make enormous extraordinary expenditures for their army and navy. Concurrently, the new expenditure entailed by Japan's new position in Korea and Manchuria had to be met; and in Japan itself the greater part of the railways exploited by private companies were bought up by the issue of 5 percent bonds. All this explains why nearly all the new taxes voted after hostilities began had to be maintained, even though they were very heavy and even though it had been expressly stipulated that they were to be levied only for the duration of the war.

The economy resulting from the conversion of the war-loans and the conviction that Russia had turned her eyes in other directions persuaded the rulers of Japan to think of alleviating the Japanese taxpayer's burdens. But this alleviation was carried out only on a small scale, being confined to certain items of direct taxation (the land tax, the business tax, the inheritance tax). As regards indirect taxation, the reductions of about 15 percent on the duties on sugar, textiles and salt were more than offset by the increase of the duties on alcohol and tobacco. Whereas the budget for 1902-03 (on the eve of the Russo-Japanese War) estimated the revenues at 297,341,000 yen, the budget for 1912-13 estimated them at 687,392,000 yen.

Toward the close of the year 1918 — a time rife with prophecies — I had heard it said in Paris that Japan would be one of the few belligerent countries that would find the post-war period easy. It was not denied that the Empire had made great sacrifices, that its budget had risen from 648 million yen in 1914-15 to 1,017 millions in 1918-19. But it was argued that nearly all the expenses of the war had been covered by the automatic increase of taxation, while the public debt had been reduced; to be sure, some war-loans had been floated, but the intensive operation of the sinking fund had withdrawn from circulation bonds representing a sum exceeding the aggregate of the new loans. It was pointed out that such an achievement, rare in history, of a great war carried through without increase either of taxation or of the public debt, was to be attributed to the "boom," which followed 1914. It was added that even if the causes which had brought about this "golden age" should cease to operate,² Japan had

² During the war the belligerents had ceased their exportations to Japan and had utilized the Japanese merchant marine. Simultaneously, the monopoly of trade in Asia had been abandoned to Japan and had become all the more profitable, as the rise in the price of silver had increased the purchasing power of countries in which the silver standard prevailed, notably China.

nevertheless had time both to renew and to extend her industries and to accumulate capital. She therefore emerged from the war as an economic power of the first order. And Imperial Russia's collapse seemed to obviate the necessity of new armaments.

All these forecasts, like so many others enunciated during the Peace Conference, were belied by the events. The post-war years were marked by great financial difficulties for Japan and these have persisted up to the present day. Here one must distinguish between the decade from 1919 to 1928 and the years 1929-1931.

THE 1919-1928 DECADE

Ordinary expenditure doubled during the decade 1919-1928, rising from 502 million yen to 1,184 millions. Extraordinary expenditure, which in 1919 stood at 669 millions, was never reduced perceptibly in the following years of peace; even in 1928-29 it amounted to 630 millions. The total budget of expenditure amounted to 1,172 millions for 1919-20, to 1,521 millions for 1923-24 and to 1,814 millions for 1928-29. This makes, for the decade in question, an increase of public expenditure of over 50 percent.

The external public debt meanwhile remained at about the same figure: 1,446 millions in 1929-30 as against 1,424 millions in 1920-21. On the other hand, the internal debt increased formidably: 4,512 millions as against 1,819 millions. Thus, the total public debt has risen from 3,244 to 5,959 millions — an increase of over 80 percent.

These facts show clearly that the increase in expenditure was met almost entirely by new debts; and one need not be an experienced financier to see that such methods in a period of peace are not in keeping with the principles of sound finance.

The resulting manifestly unsound financial situation must be attributed on the one hand to mistakes on the part of the government, and on the other hand to a series of unfavorable circumstances — chiefly diplomatic complications, the earthquake of 1923, and a prolonged economic crisis. Let us examine these four points in succession.

The government's chief mistakes grew out of its attempt to accomplish too much and on too grand a scale. The army and navy, education, industry, communications, harbors, water-

works, the postal, telegraph and telephone services — all were to be brought up to the level of perfection. The war period had, as it were, intoxicated both government and people. They forgot that especially in finance it is necessary, as Gambetta put it, “to arrange the questions in their proper order.” They also forgot (like many other governments) that there exists a sure and automatic means of effecting economies, namely, the reduction of prices. If the budget of Great Britain was reduced from 1,618 millions sterling in 1919–20 to 790 millions in 1924–25, this was rendered possible largely by the fact that during the interval the index-number fell from 310 in 1920 to 166 in 1924. In Japan, on the contrary, prices rose between the years 1918 and 1921; and although since 1921 they have gradually fallen, they remained for a long time at a much higher figure than during the war. The index-number, which was 194 in 1917–18, reached 343 in 1920–21 and was still at 273 and 225 in 1924–25 and 1927–28.

Turning to the unfavorable circumstances which beset Japanese finances, we notice first that for Japan the morrow of the Peace of Versailles resembled that of the Treaty of Shimonoseki. The United States, China and Soviet Russia demanded that Japan renounce the territories and privileges which she had acquired by her victories. Lengthy negotiations ensued, and it was only after the Washington Conference that the questions touching China and the Pacific were settled; the settlement of the Sakhalin question with Russia took even longer. During all these years Japan felt the necessity of reinforcing her military position, the more so since she could no longer count on her alliance with England.

The Washington Conventions forestalled the possibility of an immediate conflict and brought about a reduction of Japan's expenditure. This relief came from the agreement to limit the size and number of capital ships and aircraft carriers. But the arrangements at Washington failed to clear up the situation entirely. Public opinion in Japan, much embittered at first by the renunciation of nearly all the fruits of victory, was not really calmed down until the recent Naval Treaty of London.

All this explains how it came about that for the year 1921–22 Japan's military expenditure was nearly double that of the year 1918–19 and why even in 1928–29 it was maintained at a higher level than during the last year of the war, although it absorbed a smaller proportion of the budget. The following table, taken from

the last annual supplement of the *Asahi*, shows the trend of military expenditure from the last year of the war up to 1930.

Year	Military expenditure (in dollars)	Percent of the budget
1918-19.....	183,993,000.....	36
1919-20.....	268,344,000.....	46
1920-21.....	364,880,000.....	48
1921-22.....	365,284,000.....	49
1922-23.....	302,401,000.....	42
1923-24.....	249,536,000.....	33
1924-25.....	227,597,000.....	28
1925-26.....	221,904,000.....	29
1926-27.....	217,125,000.....	27
1927-28.....	245,820,000.....	28
1928-29.....	258,619,000.....	29
1929-30.....	244,514,000.....	29

The terrible earthquake of September 1923 is still fresh in the memory of all. The devastation it wrought was completed by fires; that which ravaged the capital seems to have been the greatest in history.³ The wealth destroyed by the earthquake and by fire has been estimated at 5,506 million yen. Nothing reflects more credit on Japan than the method and rapidity with which Tokyo and Yokohama were rebuilt and other losses repaired. But this work of reconstruction entailed heavy sacrifices, both immediate and indirect. The government, the municipalities of Tokyo and Yokohama, and the provincial authorities of Tokyo and Kanagawa were obliged to disburse a total of 1,800 million yen.

The public treasury found itself unable to resort exclusively to the 5 percent treasury bonds, which in the post-war years were its chief instruments of credit, and was forced to apply to foreign capital. The situation of the world's money-market at that time imposed infinitely more onerous conditions than in the past. Whereas Japan's last pre-war loans had been issued at 95 and bore 4 percent interest, the two big loans of 1924 were issued at New York at 82½ and 87½, although they bore interest at 6½ and 6 percent respectively.

The repercussion of the catastrophe on the yield of taxation was considerably less than had at first been feared, in part because the regions affected were centers of consumption rather than of production. Nevertheless, for the fiscal year 1923-24 the

³ The Tokyo fire covered 33.4 square miles, as compared with 12.1 square miles at San Francisco in 1906, 8.5 at Chicago in 1870 and 1.7 at London in 1666.

public revenues fell short of the estimates by 130 million yen and during the four following fiscal years it was found necessary to suspend the collection of certain direct taxes in the devastated regions.

The "Japanese Financial Year Book" for 1926 pointed out that the effects of the earthquake were no longer perceptible. But this satisfaction was premature. At the time of the disaster, in addition to a provisional moratorium, rendered necessary by the fact that 74 out of the 84 banking offices in Tokyo had been burned down, large facilities were decreed for the rediscounting of "earthquake drafts," *i.e.*, bills payable in the devastated regions. These bills were estimated at two billion yen; a part of them were never paid, and even in 1927 they bore so heavily upon the credit establishments that they constituted one of the principal causes of the crisis of that year. Thus the indirect burdens due to the 1923 earthquake, while they cannot be estimated with precision, were certainly very considerable and were prolonged over a number of years.

Japan's unprecedented prosperity during the war was due to transient circumstances and necessarily ceased with the passing of those circumstances. It would have been prudent for Japanese economy to reduce sail in anticipation of this event. But the Japanese people, like their government, were intoxicated by prosperity. Encouraged by the fact that everything seemed to continue to prosper during the year following the armistice, the industrial and commercial world increased the impetus already given to all enterprises; and the Japanese banks, which have long showed a tendency (at once their strength and their weakness) to place themselves at the head of enterprises, failed to put a sufficient check upon them. Meanwhile conditions became as unfavorable as they had previously been propitious. European and American competition were not long in reappearing. The protectionist spirit and fiscal necessities led the British Dominions to raise their tariffs. The United States followed suit, besides rigorously closing its doors to Oriental immigration. China was in the throes of civil war. And to cap these misfortunes, silver, the rise in which had been of such advantage to the Japanese export trade in Asia, began rapidly to depreciate.

That Japanese economy, as a whole, succeeded in meeting the storm shows that it rests upon much more solid foundations than its detractors would have us believe. It is, nevertheless, equally true that the years which we are here studying were years of un-

interrupted difficulties. They were also marked by two crises. The first occurred two years after the armistice and affected particularly the iron and shipbuilding industries. Energetic measures prevented the crisis from becoming general. Nevertheless, its effects, combined with the disasters of the earthquake, made themselves felt over a number of years. It was not till 1926 that the number of workmen employed in these industries rose again to the 1921 figure. Nor was this the end of the era of difficulties.

In the spring of 1927 the fall of the Suzuki consortium and the revelation of the fact that all "earthquake bills" had not been paid sufficed to precipitate a veritable bank panic. Thirty banks, including the Bank of Formosa and the Bank of Peers, closed their doors; from the other banks deposits were withdrawn wholesale. To put a stop to this panic, the state was obliged to guarantee the discounting of commercial bills to the amount of 777 million yen. This measure caused the fall of the Wakatsuki cabinet, but it proved efficacious. The public regained confidence; sixteen of the banks were enabled to resume business; and the emissions of the Bank of Japan, which in April 1927 had reached the unprecedented figure of 2,659 million yen, fell by the end of the year to 1,683 millions. The crisis, properly speaking, was ended. But the situation resulting from the over-expansion of business during the years 1917-1920 was not yet completely normal. And as we shall see later on, Japanese economy was about to enter upon a new period of depression.

In crises like those just described, there could be no question of a return to the policy of relieving the burdens of taxation, which had been eagerly expected before the war. In fact, the reorganization of Japan's fiscal system aimed at a more equal distribution of burdens, not at reducing them. The few taxes that were abolished were of little importance in themselves and were replaced by others. In addition, there was a heavy increase of customs duties; the tariff assumed a clearly protective character and a law passed in 1924 laid a duty of 100 percent on 120 luxury articles. The following table shows the trend of the revenue situation during the decade (the figures are in yen):

	<i>Ordinary Revenues</i>	<i>Extraordinary Revenues</i>	<i>Totals</i>
1919-20	1,063,120,190	745,512,294	1,808,633,204
1924-25	1,438,640,171	688,751,153	2,127,391,324
1928-29	1,505,012,997	500,678,107	2,005,691,104

THE YEARS 1929-1931

It has been shown how from 1920 to 1929 the Japanese public debt increased by 2,715 million yen, in other words, that to balance the budget it was found necessary to borrow on an average 271 millions per annum. Everyone felt that such a situation could not last; and as there could be no question of increasing taxation, which was already excessive, everyone realized the necessity of entering upon a period of retrenchment. In 1929 the Tanaka cabinet adopted this policy, but in a timid manner; and public opinion was much disquieted to see the new budget forecasting a large deficit and new loans amounting to 172 million yen. The cabinet was therefore forced to retire. At the beginning of July 1929 the Minseito Party returned to power, with the late Mr. Hamaguchi as Prime Minister and Mr. Inouye as Finance Minister. Their program can be summed up in two principal points: a return to the gold standard, and a policy of retrenchment.

The exportation of gold and silver had been prohibited by ministerial decree in September 1917. The result of this measure was practically to suspend the convertibility of Japanese banknotes. This result made itself felt soon after the conclusion of peace. The measure was denounced as playing havoc with the rate of exchange and as being responsible for the maintenance of prices at an artificial level. And in truth, whereas 100 yen at par are equivalent to \$49.84, in the years between 1919 and 1928 their value fluctuated between \$52.00 (1919) and \$38.63 (1925). In 1928 it stood at \$46.75. As for prices, the index-number continued to stand as high in 1925 as it was in 1921; and though it fell later, it remained considerably higher than in Europe.

These incessant fluctuations of the rate of exchange disturbed the country's economic life and encouraged speculation. Hence the business world, which at first had been opposed to the raising of the aforesaid prohibition, in view of the protection afforded by a high rate of exchange, finally demanded the return to free exportation. As for the rise in prices, it weighed not only upon consumers but also on employers, who found themselves unable to cut down their pay-rolls. The state suffered even more acutely than private individuals, because the fluctuations in the rate of exchange created additional burdens in paying the service of the public debt, and because the rise in prices constituted an obstacle to the policy of retrenchment. From the moral standpoint it was a

humiliation for both government and citizens to see that, while all the other great states had returned to the gold standard, Japan continued to have "an anomalous currency."

Under these conditions public opinion greeted with satisfaction the taking over of the Ministry of Finance by Mr. Inouye, who by speeches and pen had long been the champion of financial reform. And in truth, the new minister carried out the return to the gold standard with great skill. Not content with the gold reserve of the Bank of Japan, which exceeded a billion yen, he took advantage of the exceptionally favorable commercial balance in 1929 to accumulate funds in London and New York amounting to \$50,000,000. And it was not till after the ground had been carefully prepared that a decree was issued on January 11, 1930, whereby the free exportation of gold was once more permitted.

The two principal aims of this important reform were immediately attained. The yen regained its nominal value without difficulty. The fall in prices was no less rapid; in June 1931 prices were at exactly the same level as in May 1916.

Notwithstanding these apparently splendid results, a portion of public opinion considered the measure as premature. And as time went on bitter criticisms were heard. We shall examine them later when we deal with the abandonment of the gold standard in December 1931.

The policy of retrenchment initiated by Mr. Inouye had to be pursued by three means: first, no new bonds for the general account were to be issued, and the loans already planned for the special accounts were to be reduced; second, no new enterprises were to be undertaken; and third, expenditure was to be rigorously curtailed. This government was, no doubt, in earnest. Whether in the end they would have been able to balance their budget solely by reducing expenses was always a debatable question and soon became a platonic one. A policy of retrenchment requires time. It must be pursued through a series of budgets. Now, before a year had elapsed, Japan was plunged into an economic crisis more virulent perhaps than the one raging in Europe.⁴

⁴ In addition to the general causes operating throughout the world, this crisis had a series of special causes. The first was the crisis in the United States, Japan's best customer, where there was a falling-off in the demand for silk. Another was the depreciation of silver, affecting China, Japan's next best customer. This depreciation acted in China both as a protective tariff and as a bonus on exports; Chinese industry was thereby enabled to produce cotton goods more cheaply than the Japanese looms, and the American market found it more profitable to turn to China for raw silk. A third cause is traceable to the high fiscal tariffs adopted by the British Dominions. The Gandhist home-industry agitation in India further reduced Japan's export trade in textiles.

Attacked from all sides, Japan's foreign trade fell off 30.9 percent during 1930 — a greater decline than was experienced by the trade of any other country in the world. The diminution was even greater in Japanese exports alone — 31.6 percent. Three-fifths of this loss was in the export of silk and textiles, but a number of other articles were affected. There was a general slump in prices.

Notwithstanding the stupendous power of resistance shown by the country, such a crisis was bound to have its repercussion on public finance, for two reasons — one general, the other peculiar to Japan. Every crisis causes a falling-off in revenue from taxation and especially from those taxes which apply to consumption and circulation. Japan could not hope to escape this law. But the crisis has not only affected her revenue; it has also increased her expenditure. The Japanese Empire is a paternalistic state; except for brief intervals, production has always developed under government care. It was but natural, therefore, and in harmony with national tradition, that in the present crisis the Treasury should come to the aid of the classes chiefly affected. This aid took the form of plans for stabilizing the prices of silk and rice, bonuses on exportation, state guarantees for bank advances and even direct loans to whole classes of citizens. These measures have entailed sacrifices on the part of the public treasury.

But we shall understand the last phase of Japanese finance better by studying the budgets appertaining thereto:

BUDGET OF 1929-30 ⁶			
<i>Revenue</i> (in yen):	<i>Estimated</i>	<i>Realized</i>	<i>Difference</i>
Ordinary	1,504,706,757	1,481,143,304	- 23,563,453
Extraordinary	176,354,177	345,301,447	+ 168,947,270
<i>Totals</i>	1,681,060,934	1,826,444,751	+ 145,383,817
<i>Expenditure</i> (in yen):			
Ordinary	1,223,689,070	1,212,726,860	- 10,962,110
Extraordinary	457,371,864	523,590,195	+ 66,218,331
<i>Totals</i>	1,681,060,934	1,736,317,055	+ 55,256,121

These results were satisfactory in appearance only. The expedition of troops to China and other charges caused expenditure to exceed the estimates very considerably, while the yield of the principal taxes showed a falling-off, though not a very great one.

⁶ From the "Japanese Financial Year Book" for 1930.

The apparent surplus of revenue was due to new loans or to the remainder of the loans of the previous year. Nevertheless, this budget marked a step forward in the sense that, in comparison with the preceding year, it showed a reduction of $78\frac{1}{2}$ millions on the total expenditure.

As regards the budget of 1930-31, actual results are not yet to hand. According to an article in the *Transpacific* of July 2, 1931, the revenues of that fiscal year had in April last reached 1,259,687,000 yen, or 249,687,000 less than the estimates; nearly all taxes on consumption and circulation, as well as the revenues from state domains and state enterprises, were falling off. Expenditure, in spite of a reduction of 126,001,000 yen, still amounted to 1,429,487,000. Thus, there was a deficit of 171 millions, covered almost entirely by Treasury bills. On the other hand, the Government anticipated that in the May-July quarter revenue would exceed expenditure by 132 millions. This would reduce the ultimate deficit to 37 millions only, which could be covered by the remainder of the "earthquake" loan. Yet it must be admitted that if the fiscal year does not show as large a deficit as was feared, this was due to care in reducing expenditure; expenses amounted to 1,589,487,000 yen as against 1,681,060,934 of the previous year.

It is more than ordinarily difficult to forecast the results of the current fiscal year (budget of 1931-32), because since April last (which date marks the commencement of the new fiscal year) the economic crisis has already forced the government to make repeated retrenchments in the budget of expenditure. The situation has been complicated further by the political crisis between China and Japan, which has necessarily entailed considerable expense.

Leaving aside the financial repercussion of events in Manchuria, in regard to which some time must elapse before we can be enlightened, and confining ourselves to the period ending September 30, 1931, we may sum up the situation as follows: The budget for 1931-32 was submitted to the Imperial Diet on January 22, 1931. The Minister of Finance, in a long speech, emphasized the fact that the government's financial situation both as to revenue and as to expenditure was dominated by the economic situation of the country. The index-number had fallen 27.5 percent in the eighteen months since June 1929, and the prices of the staple articles of export and import had undergone a

veritable collapse, in consequence of which the customs, excise and income-tax receipts and revenue in general had fallen off considerably. The total amount of this falling-off was estimated at 149 millions. The aggregate revenue was estimated at 1,428 millions — the lowest on record since the budget of 1917. At the same time, the fear lest unemployment should spread forced the government to make certain special expenditures. Thus, public railway works, estimated at first at 56 millions, had reached 92 millions. It was further decided to give advances amounting to 95 millions to the classes most keenly affected by the crisis, namely, small traders, agriculturists and fishermen. In order to balance the budget without having recourse to credit on a large scale, it was proposed to contract certain small loans, destined for public works, and to press the policy of retrenchment. Mr. Inouye announced a number of economies, amounting to 129 millions. In addition, he reduced to a minimum the sums originally estimated for naval repairs and limited the tax reductions already promised. By these means the aggregate expenditure was brought down to 1,410 millions — the lowest figure Japan has known since 1922, and 400 millions lower than the budget of 1927-28.

In January 1931 it was thought that these sacrifices would be sufficient and, combined with some small loans, would even yield a small surplus. But on the one hand, supplementary estimates brought up the expenditure to 1,488 millions, while on the other hand, the rapid aggravation of the crisis had an immediate repercussion on public revenue. It soon became evident that the estimated surplus would be replaced by a deficit, which by the end of spring was put at 60 millions at least, with a prospect of reaching an even higher figure.

Everyone was agreed as to the necessity of rigorous economies but everyone in his heart wished to maintain the credits which affected himself or his caste. There was constant newspaper talk of reducing expenditure. The political parties and the press elaborated plans of economies on a grand scale. The Government proposed measures to the same end. But the economies actually realized amounted only to a few millions.

A single instance will suffice to illustrate what happened. The reduction of the salaries of public servants had been demanded since 1929; it was especially justified since 1930 by the fall in prices. Nevertheless, when it was finally decided to put it into force from June 1, 1931, it was found necessary to make so

many concessions that out of 710,277 public functionaries only 45,613 were affected by the reduction and the amount saved did not reach 10 million yen. The project of amalgamating certain ministries and services and the proposed restriction of military expenditure also met with lively opposition.⁶

These remarks must not be understood as disguised criticism of the Japanese people, whose patriotism is unsurpassed by that of any other nation, nor of Mr. Inouye, who had succeeded in reducing public expenditure from 1,736,000,000 yen in 1929-30 to 1,488,000,000 in 1931-32 and to whom much praise is due for that achievement, even though his adversaries attribute it solely to the fall in prices. If there is any criticism it would have to be addressed to both political parties which have governed Japan since the war and which have failed to arrest the country on its course down the slippery incline of what Vilfredo Pareto called *la finanza allegra* — “merry finance.”

THE LATEST PHASE

Nevertheless, the months passed and autumn brought in its train events of which I shall speak directly and which were not of a nature to redeem the situation. The drafting of the new budget was delayed because in view of the intensity of the economic crisis it was impossible to foresee with any precision where the falling-off of revenue would stop. When at last the budget was drawn up it placed expenditure at 1,479,900,000 yen and revenue at 1,307,800,000 yen, leaving a deficit of 172,100,000 yen. This was to be redressed by the following measures: increase of taxation, 30,930,000 yen; increase of customs duties, 9,140,000 yen; and various internal loans, 132,030,000 yen.

The new budget was made known on December 8. One week later, the Wakatsuki Cabinet was a thing of the past and its place was taken by one from the Seiyukai Party. Yet there was no connection between the two events. The ministerial crisis was precipitated by disagreements which for some time past had made themselves felt in the Cabinet. The summons to Mr. Inukai to form the new Cabinet was dictated almost entirely by monetary considerations. Not that the new budget did not supply the Opposition with weapons against the Government. It was easy

⁶ Thus, the military chiefs agreed to the suppression of four army divisions, but demanded that the credits liberated be spent on the renewal of armament. The final estimates provided for a reduction of 1,247,000 yen for the navy and an increase of 805,000 yen for the army.

to remind the Minseito Party of its electoral platform of 1929. In spite of their slogan "No loans!" they had already contracted loans of more than 100 millions during 1931, and although the public debt had passed the six billion figure, they were planning to issue still larger loans. The slogan "No loans!" was, in its turn, abandoned at a time when public revenue had fallen off by 20 percent and when the existing taxation already bore too heavily upon all classes of society.

Yet these criticisms were not a sufficient ground for appealing to an Opposition that was in acknowledged minority in the Diet, inasmuch as the Seiyukai Party had no alternative budget policy to suggest. On the other hand, however, it could put forward a program radically different from that of the late Government in the monetary field, because for some time past it had been strenuously advocating the departure from the gold standard. This sufficed to open to the Party the road to office.

I have already explained above with what facility the return to the gold standard was accomplished and how rapidly it had produced the two results expected of it, namely, exchange at par and a fall in prices. But in the chant of triumph there were from the very start some discordant notes. As a matter of fact deflation, however prudently carried out, must necessarily have its victims; that, indeed, is one of the reasons why inflation should be avoided at all costs. Furthermore, in the case at hand, the times which followed hard upon the return to the free exportation of gold were a period of acute crisis. From that moment there was no lack of critics to declare that the reform was premature and that prices were falling quite enough without it. And it was pointed out that under the free exportation of gold considerable quantities of the precious metal had left the country and that the gold reserve was sinking.

In spite of all this, it was generally thought that the advantages of the reform outweighed its disadvantages and that the gold reserve was adequate, since it covered more than two-thirds of the fiduciary circulation. In a word, the gold standard did not seem to be in danger. But from the end of September public opinion began to be seriously uneasy. More than once the foreign press announced that Japan was about to follow the example of Great Britain and so many other countries. The Minseito Government took certain steps to control the export of gold and twice advanced the discount rate. But on the question of principle Mr.

Inouye showed himself inflexible. He held that the situation presented a different aspect in Japan than in England (in Japan there are no big short-term deposits that might be withdrawn overnight), that the balance of trade was in equilibrium, and that the suspension of the gold standard would upset the country's economic life. He succeeded in persuading the business world of Japan to share his point of view, as is shown by a resolution adopted at a meeting on November 7, at which the principal banks were represented. And the yen remained very nearly at par.

Nevertheless, Japanese public opinion became more and more nervous. Mr. Adachi, Minister of the Interior, openly preached the necessity of forming a National Government after the pattern of the new MacDonald Cabinet in Great Britain. When his resignation forced the Government to retire, Prince Saionji, last survivor of the Elder Statesmen of Japan, advised the Emperor to call the Seiyukai Party to power. The new official Cabinet was at once formed, with Mr. Inukai as Prime Minister and Mr. Takahashi as Minister of Finance.⁷ This Cabinet's first official act, on December 13, was to prohibit the exportation of gold. In addition, the inconvertibility of bank-notes was immediately proclaimed.

This should suffice to make it clear that it was the currency policy that lay at the bottom of the change of Cabinet. That recourse was had to the minority to take over the government of the country in spite of serious foreign complications and the practical impossibility of proceeding to an immediate dissolution of the Diet, shows that a considerable section of public opinion favored a return to the embargo on gold exportation. What were the reasons that lay behind the development of this sentiment?

The situation was already bad in consequence of the steadily increasing economic depression, aggravated on the one hand by the poorest rice harvest in thirteen years and on the other by the Chinese boycott, which dealt a heavy blow not only to the export trade but also to the Japanese merchant marine. Prices crashed. In October alone there was a fall of 2.7 percent, which brought the index-number down to 55 percent of the average prices of the years 1921-24. As for the foreign trade, the returns for October

⁷ This statesman, who is of advanced age, enjoys great authority and possesses great financial experience. Like Mr. Inouye, he has served as president of the Yokohama Specie Bank and as governor of the Bank of Japan. He was Prime Minister in 1921-2 and was created a Viscount but renounced the peerage in favor of his son. He is familiar with the foreign money-markets, for it was he who as Financial Agent negotiated a part of the big loans of 1905 and 1906.

were the lowest since August 1917 for imports and the lowest since October 1915 for exports.

In times of acute distress faith in economic principles is apt to be shaken. A death-blow seemed to have been dealt to economic orthodoxy by the suspension of the gold standard in Great Britain. The repercussion of this measure was very great in Japan. In Japanese eyes London has always appeared in the light of an economic Mecca; the reform realized in 1925 by Mr. Winston Churchill had greatly contributed toward Japan's return to the gold standard. Great Britain's suspension of the gold standard had an even greater effect, in the contrary sense, because the temporary boom which followed the return to an inflation policy by Great Britain and others that imitated her manifested itself partly at Japan's expense. Japan, one-tenth of whose merchant tonnage was already lying idle, saw the British merchant marine offering freights in depreciated sterling; she saw Lancashire exports supplanting her own goods in the Middle Eastern and Far Eastern markets, and certain Canadian and Swedish industries (such as the paper industry) competing with her own even in Japan itself.

Another preponderant factor was the escape of gold. The gold reserve, which had already become reduced from 1071 millions in January 1930 to 825 millions in the summer of 1931 was shrinking visibly. On the day when the free export of gold was suspended, it had sunk to 520 millions and an important bank was on the point of exporting another 30 millions. Now a reserve of 500 millions is generally considered in Japan as the minimum — as the "safety level," below which it must not be permitted to go.⁸

What hopes do the Japanese found upon the decree of December 13? Well, about the same as those hopes manifested in England — the restoration of economic activity and, above all, the relief of their two main industries, silk and textiles.

Government circles anticipate that the price of raw silk in yen will rise in proportion to the depreciation of the yen, and this will be an encouragement not only to the agricultural element so intimately bound up with this industry, but also to the capitalists and working-classes engaged therein. Similar advantages are

⁸ Still another reason is given in the leading article of the London *Times* of December 14: "Large financial and commercial interests were reputed to have indulged in heavy speculation in dollars in anticipation of the fall of the yen. Mr. Inouye's shipments of gold to America converted their hopes of profit into fears of heavy loss. Their attacks upon Mr. Inouye were supported by the industrialists."

expected for the cotton industry, the merchant marine and all branches of production in general.

The *Transpacific* of December 17, 1931 points out that the immediate effects of the embargo seem to be satisfactory but hastens to add: "Whether a policy of inflation is in the long run beneficial to any country is open to much doubt." That is also my opinion.

Forced circulation may perhaps be a necessary evil; it is never a remedy. The suspension of the gold standard may bring temporary relief; but in the long run it generates numberless evils. Even at the end of 1931 people in Japan had begun to be aware of this. To be sure, the shares of steamship companies and textile industries advanced considerably and silk prices remained firm, despite their heavy fall in the United States. On the other hand, the yen followed the pound sterling in its drop. This depreciation affected all salaries and generally speaking all persons having a fixed income. It also was disquieting for the equilibrium of the budget. The new Government apparently intends to hold to the budget submitted on December 8, with the proviso that the new taxes will be replaced by a reduction of the sinking fund. But at the present rates of exchange it would seem difficult to hope that expenditure will remain at the figures of the estimates. The service of the foreign debt alone will absorb 30 percent more yen than heretofore; the same will be the case with all purchases effected abroad, and home prices in their turn will surely rise. Recourse to credit, also, will be more costly.

At the beginning of 1932, as this article is being finished, Japan's financial situation is much more difficult than it was a twelvemonth earlier. A huge effort will be necessary to balance the budget and to stabilize the national currency in one way or another. But it is not the first time that Japan finds herself in a straitened financial position. This is the fourth, at least, since the days of the Great Reform in 1868. The history of the past sixty years permits the hope that the Japanese people will once again show their financial patriotism, and that once again they will surmount the difficulties that beset them.

THE AMERICAN INVESTMENT IN LATIN AMERICA

By William O. Scroggs

THE financial difficulties of the republics of Latin America during 1930 and 1931 were of especial interest to the people of the United States because of the large and growing American investment in that part of the world. According to a careful estimate by the United States Department of Commerce, the long-term investment of American capital in Latin America at the end of 1930 was slightly larger than the American investment in all of Europe. The estimated total for Latin America was about 5,350 million dollars; that for Europe was about 4,900 millions.¹

While the amount of capital from the United States placed in Latin America exceeds by only a small margin the amount placed in Europe, there is a wide difference in the character of the respective investments. About two-thirds of the investment in Europe is in the form of securities. Barely one-third of the investment in Latin America is of that type; the rest is a direct investment in properties. Not only do securities form a small part of the total Latin American investment, but most of them have either been issued directly by the governments or are supported by a government guarantee. According to the Department of Commerce, 98 percent of the Latin American bonds held by investors in the United States are of this description, and only 2 percent have been issued solely on the credit of private corporations. On the other hand, 20 percent of the European securities offered for public subscription in the United States have been issued by private corporations without any government guarantee.

The flotation of Latin American securities on a large scale in the United States began in 1921 and reached its climax in 1926. There was a slight decrease in 1927 and 1928 and a sharp decline in 1929, when the boom in the American stock market destroyed the appetite of American investors for foreign bonds. In 1930 there was a temporary revival of interest in the bond market in New York, and a number of new foreign issues were floated. The total amount of Latin American issues at this time was slightly larger than in 1929, but it was still much below that of the three preceding years. With the deepening of the depression in 1931 the market for foreign bonds in the United States was still further restricted. Most of the financing by foreign governments in the United States in 1931 was merely to refund obligations maturing that year. Dr. Max Winkler's latest estimate shows that net Latin American government and corporate offerings in 1931 were about 75 percent less than they were in 1930.²

The fluctuations in the amounts of Latin American securities offered

¹ "A New Estimate of American Investments Abroad." U. S. Department of Commerce, Trade Information Bulletin No. 767, 1931. An estimate by Dr. Max Winkler shows somewhat larger amounts for these two regions because of a different method of compiling the data; but it conforms with the computation of the Department of Commerce in giving the same relative positions to Latin America and Europe.

² "American Foreign Investments in 1931." Foreign Policy Reports, Vol. VII, No. 24.

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annually in the United States since 1920, with refunding issues deducted, are shown in the following table:

(In thousands of dollars)			
<i>Year</i>	<i>Government*</i>	<i>Corporate</i>	<i>Total</i>
1920.....		49,050	49,050
1921.....	187,486	42,142	229,628
1922.....	159,775	63,899	223,674
1923.....	67,500	47,191	114,691
1924.....	114,555	72,399	186,954
1925.....	109,951	48,825	158,776
1926.....	238,490	84,690	368,180
1927.....	277,081	62,619	339,700
1928.....	283,198	91,880	330,078
1929.....	65,548	109,402	174,950
1930.....	177,112	17,338	194,450

* Including government-guaranteed.

Owing to the extent to which conditions throughout Latin America vary, it is impossible to generalize regarding investments there. For example, while only about 32 percent of the total American investment consists of securities, 55 percent of the American investment in Argentina is in the form of bonds. Moreover, all the Argentine bonds have been issued by the national, provincial, or municipal governments. At the other extreme stands Venezuela, whose government has no external debt. American investments in Venezuela are in properties rather than in securities, and are largely concentrated in the petroleum industry.

In the case of Brazil and Peru we find another striking contrast. Sixty-two percent of the American investments in Brazil are in securities and 38 percent are direct. In Peru the figures are exactly reversed. These differences are due to the character of the leading industries in the respective countries. Argentina and Brazil, being mainly agricultural, have not attracted direct American investment as have the mineral-bearing regions of Chile, Bolivia, Peru and Venezuela. On the other hand, Cuba, which is also an agricultural country, differs from Argentina and Brazil in that it has attracted a vast amount of direct investment from the United States. Cuban securities constitute only about 15 percent of the total American investment in the island.

Cuba has absorbed over 1,000 million dollars of American capital, and now ranks first among the countries of Latin America as a field for American investment. It has not always held the lead. Before the World War the amount of American capital employed in Mexico was several times larger than that in use in Cuba. The war curtailed the production of beet sugar in Europe and gave a stimulus to the Cuban cane-sugar industry. This resulted in a heavy flow of American capital into the island. About the same time Mexico became less important as a field for American investment largely because of the exhaustion of its oil resources, and possibly to some extent because of the unsettled political conditions prevailing there.

The approximate proportions of direct investments and of security investments by Americans in the leading countries of Latin America are indicated in the following table:

FOREIGN AFFAIRS

	<i>Total (in thousands of dollars)</i>	<i>Direct Investments (percent)</i>	<i>Security Investments (percent)</i>
Cuba	1,066,551	85	15
Mexico	810,571	85	15
Argentina	807,777	45	55
Chile	700,935	63	37
Brazil	557,001	38	62
Colombia	301,692	43	57
Venezuela	247,238	100	
Peru	200,085	62	38
Bolivia	116,043	53	47
All others	551,878	76	24
<i>Total</i>	<i>5,359,771</i>	<i>68</i>	<i>32</i>

During 1931 the drastic decline in the prices of principal Latin American products, along with the decrease in the export demand for these commodities, led to defaults by several Latin American governments on their external debts. The budgets of these countries were peculiarly susceptible to the effects of the world-wide economic depression, due to the fact that the governments have relied for revenue mainly on import and export duties; the sharp decline in the prices of products subject to *ad valorem* rates would have curtailed their income even if the volume of shipments had been maintained. After the depression began this volume of course was not maintained, and revenues were consequently reduced by the decline in both the value and the volume of imports and exports. In 1930-31 the deflation in the chief products of Latin America ranged from 50 to 75 percent. Under such conditions the treasuries faced deficits, and the unfavorable trade balances made it increasingly difficult for the governments to obtain the foreign exchange needed for maintaining service on their external debts.

Even in normal years this debt service absorbed from 20 to 40 percent of the revenues of the debtor governments. Payment on most of the foreign debts had to be made in gold, and with the depreciation in the exchanges of some of these countries, gold commanded a heavy premium. This increased still further the proportion of the government income required for service on the external debts. Furthermore, the governments and their political subdivisions in a number of cases had borrowed too freely, possibly at the urgent solicitation of foreign bankers, and the loans were not always spent productively. Given these conditions, the deepening of the economic depression inevitably brought defaults. Bolivia suspended the payments on its external debt which fell due on January 1, 1931. Peru followed in March, and Chile in July. In September the federal government of Brazil and some of the states and municipalities defaulted on most of their bonds. Several other South American municipalities were reported in default at the end of the year. The total amount of Latin American debt which went into default during 1930-31 has been estimated at approximately 1,200 million dollars. The American share has been estimated as approximately two-thirds of the total. The heavy loss from these defaults has been largely responsible for the investigation of foreign loan flotations now being made by the Senate Finance Committee.

OBSTACLES TO HUNGARIAN RECONSTRUCTION

By L. Laszlo Ecker

MORE than five years have elapsed since Mr. Jeremiah Smith of Boston wrote his Twenty-fifth Report which terminated his tenure of office as Commissioner-General of the League of Nations at Budapest. That marked the completion of the League's second experiment with monetary reconstruction. The League initiated its activity in this field in 1922 with the preparation of a plan for the financial reconstruction of Austria. At that time the method was untried. When, eighteen months later, Hungary was subjected to the same experiment, the risks were considerably less. The League had evidence to show that inflation could be stopped abruptly without more serious dislocation than already existed, and that it would be possible to persuade the people to submit themselves to heavy fiscal charges as well as to submit the administration of their government to complete reorganization. The experience derived from the Austrian case was especially helpful in the later problem since the ailments in the case of Hungary were similar to those of Austria, both being largely a result of the same process of deterioration.

The League's plan called for a final settlement of the reparation charges; the stoppage of inflation and the return to the gold standard; the creation of a national bank and the flotation of an international loan; the preparation of a national budget for the next two years, and the appointment of a Commissioner-General to execute and supervise the program; and finally, the creation of a well organized centralized system for the collection of revenues and the distribution of expenditures. The reconstruction period lasted two years and at its completion Mr. Smith's report struck a particularly high note of optimism. League adherents hailed the Hungarian experiment as concrete evidence of the organization's serviceability. Nor was this enthusiasm unfounded. By June 1926 Hungary had a clean slate: a balanced budget and a stable currency. A present survey, needless to say, warrants less optimism. Everywhere in Hungary today an observer encounters popular dissatisfaction, complaint and pessimism. Conditions are especially deplorable among the merchant class and the peasant farming class. Statistical trends are discouraging. The improvement which was in evidence during the reconstruction period and the year immediately following has ceased.

Many are of the opinion that Hungary's present plight is but a logical consequence of the international situation. That view is not a surprising one if we recall that Hungary is essentially an agricultural country, with 55 percent of the population engaged in that field of activity, contributing 47 percent of the national income. But that agriculture does not tell the whole story is revealed if we attempt a little forecasting, if we ask whether Hungary's problem will disappear when once the world agricultural depression has become a thing of the past. To this question the present writer's answer is decidedly in the negative, for reasons which will now be developed.

Hungary's present state of affairs is a result of pre-war evolution. By terms

of the *Ausgleich* (1867), Hungary and Austria formed a customs union. The two were complementary states, Hungary growing agricultural products and exchanging them for Austria's manufactures. Hungary was responsible for 80 percent of Austria's imports, and in turn received a similar part of Austria's exports. Tariff walls were maintained high enough to keep foreign goods out of the Empire. But with the dissolution of the Empire in 1918 the duality was extinguished. Hungary lost her Austrian markets. The situation was rendered more precarious by the Treaty of Trianon, which deprived Hungary of two-thirds of her territory and population. The division was so arranged that Hungary retained most of her agricultural areas but lost her mineral resources — especially coal, iron and oil — and her lumber. The Succession States — Czechoslovakia, Rumania and Jugoslavia — were of course unwilling to give Hungary more favored terms than they gave other agrarian countries. In fact, because of the tense political situation there were temptations for them to discriminate against Hungary. Witness, for instance, the recent friction with Czechoslovakia over tariff agreements, which to this day remains unsettled. The result is that Hungary is producing, or at least has facilities to produce, as much wheat as she did in the pre-war days while her market is about one-seventh of its former size — present-day Hungary being one-seventh the size of the old Austro-Hungarian Empire. The situation was well described to the writer recently by a fellow Hungarian, who wrote: "Poor Hungary is experiencing the saddest phase of her economic crisis: she is in the absurd condition of drowning in her own grease." For illustration he enclosed the following newspaper advertisement, indicative of hundreds appearing daily in the local Hungarian journals: "Tomatoes to be had free for the picking on the Szatmary estate near the Sodrony factory." The proprietors invite anyone to pick the produce in order to avoid the expense of having it done themselves, and are even willing to go to the additional expense of paying for advertisements. That is the state of affairs in Hungarian agriculture, and agriculture accounts for the major part of the country's activity. Obviously a depression in agriculture involves the whole country in a depression.

As already implied, Hungary's problem is not a temporary and cyclical one, which after making its periodic appearance is due to make its exit with the upward swing of the agricultural curve. Hungary's problem is further to seek. Much of the country's fertility is devoted to wheat and corn, commodities in the marketing of which she is competing with the United States, Australia, Canada and Soviet Russia. In such competition Hungary must inevitably be the loser. She is fighting a twentieth-century battle with the weapons of the Middle Ages. She lacks modern agricultural machinery, and the lack of capital makes it impossible to remedy the situation. What is more important, all enterprise proceeds on a small scale — individual farms and estates are small — and the coöperative idea is contrary to the Hungarian's eastern spirit. The entire country has a population of eight million; consequently its marketing facilities, in comparison with those of its competitors, are somewhat like a country general store in comparison with a nation-wide system of chain stores. Those who are acquainted with the situation cannot avoid concluding that Hungary's wheat and corn enterprise is not promising, and that a remedy

must be sought elsewhere. This is in accordance with the writer's view that the amelioration of the world agricultural crisis will not bring in its trail the disappearance of Hungary's difficulty. But the problem is not without solution. Hungary must turn her production facilities in other directions. She must produce goods at a price attractive to other countries. The buyer goes to the man who sells at the lowest prices.

If Hungarian wine is not wanted — it is at present selling at a few cents the liter — Hungary will have to learn what every merchant has long learned by experience, that when the inventory contains articles for which there is no demand, these articles must be disposed of very quickly, at a sacrifice if necessary, and replaced with stock that can be sold. The Hungarians must divert their wheat fields and vineyards to vegetable gardens and grazing fields. Hungary is a country with approximately the population of the state of Illinois. She could easily devote herself to a few agricultural specialties which would find a ready market in the neighboring countries. Let her produce vegetables, fruits, poultry, eggs and cattle. These she can produce on equal terms with others. Hungary cannot abandon agriculture, since her natural resources are in that field. Only 6.4 percent of the total area is classified as waste land. She no longer has coal, iron, oil and lumber, which means that she cannot resort extensively to manufacture. Nor does she have water power of any importance.

The solution of the Hungarian problem is not so simple as we are wont to think it. The portion of the Hungarian population engaged in agriculture is predominantly static and unwilling to make a change. To do so would involve abandoning the profession of their grandfathers, abandoning tradition, and abandoning their store of machinery, chaotic as it may be. Tradition is almost as characteristic of the Hungarian as it is of the English. Furthermore, it would involve additional outlay for new tools, machinery and seeds, for which no funds are to be had. Those Hungarians who can analyze the difficulty and know where the solution lies, are the merchants and generally literate people, who are comparatively few in number and have little contact with and influence on the peasant farmer. The writer had a discussion recently with a member of the pre-war landowning class, a member of the Hungarian aristocracy, whose experience may cast some light on the present problem. Before the war he was one of the large landowners in the Empire. Two-thirds of his land was confiscated during the Revolution. Previously he had been devoting all his energies to wheat and wine. Eight years ago he initiated a change by selling the larger part of the land he still possessed, and with the receipts he purchased chickens, cows and machinery. Today he has abandoned wheat entirely and is producing horse-radish, sugar beets, milk and eggs, and is one of few prosperous Hungarians. It is an individual case, and a rare one. If that transformation could be applied to Hungary in general the problem would be solved.

The situation at present is similar to that in 1861. At that time the government believed that the future of the country depended upon the development of modern industry and proceeded to make itself responsible for the process. Consequently laws were passed in 1861, 1890, 1903 and 1907 providing for a variety of tax exemptions, subventions, cash grants, subsidies, bounties, low

railway rates, the construction of workmen's dwellings, and, finally, directing that all contracts, in so far as possible, be assigned to citizens of the Empire. One need only compare figures for the 'nineties with those of 1913 to get an idea of how successful was this process of industrialization. Today the same sort of treatment should be applied to special phases of agriculture, the purpose at present being not so much to bring about an increased production as to divert activity into proper channels.

Take the case of the above-mentioned Hungarian wines which cannot be marketed at any price. Many will testify that Hungarian wines are among the best. Why, then, the lack of demand? The answer is readily found. Wines in Hungary are made by the individual owners of the vineyards, whose operations are small and unstandardized. The result is that no two barrels ever taste alike, and the buyer takes "a pig in a poke." Much the same situation exists with regard to Hungarian fruits, which are among the best grown in Europe. Yet Vienna, Berlin, and even Budapest buy fruits from overseas because Hungarian farmers have not acquired skill in packing, have not standardized their products, and have no refrigeration facilities for their shipments. Eggs furnish still another example. When one buys a dozen Hungarian eggs, some of them will be white, others brown, some small and others large, some round and others oblong, and, finally, some fresh and others old.

The possibility for profitable enterprise is not confined to farm products. Tourist trade is a point at hand. Opportunities for the development of the manufacturing industry are also encouraging, although it is at a disadvantage so long as nearly sixty percent of the population, the agriculturalists, have little or no consuming power. There has recently been a decided tendency to concentrate on the manufacture of those products for which the country is really adapted. Hungary has an advantage in cheap labor. This, however, is outweighed by several disadvantages, among them lack of capital, the high tariff walls of her neighbors, and a certain lack of what we colloquially term business sense.

In this situation some responsibility rests with the government, which has several spheres of useful action open to it. It may encourage and in some cases actually bring about the diversion of interests outlined above. It ought to show the way for the multitude to follow. The government possesses large tracts of land which are at present lying idle or operating at a net loss. It may convert these into model vegetable gardens and cattle ranches and invite the farmers to inspect them. It ought to experiment to discover those products for which the fertile Hungarian soil is best adapted, and it should then inaugurate publicity campaigns to spread this information to as large a portion of the populace as possible. It may extend loans, give favorable terms of short-time credit, give bounties, make railway rate discriminations, and even set discriminatory tax reductions, in order to encourage the transformation. The government should coöperate with capitalistic enterprise, Hungarian and foreign, and leave no stone unturned to reach its vital goal: to endow the Hungarian with western ideas, and to rout out his eastern feudalism and his prejudice against what he is accustomed to call "mercenary exploitation."

A development such as is here outlined faces several obstacles. The Hungarians have not resigned themselves to the terms of the Treaty of Trianon.

They are hoping for its revision, which would return to Hungary some of its former markets. The sooner they accept the present situation as permanent, the sooner can their economic development be on its way. There are frequent political controversies with the other Succession States — especially Czechoslovakia and Rumania — the very countries with which coöperation is important. Consequently the tariff walls of the Succession States are higher than those of others. This opens a new field for activity by the League of Nations, which should try to induce these Danubian countries to attend conferences and make mutual concessions.

To sum up. Those who foresee an improvement in the Hungarian situation when world agricultural conditions improve neglect to consider Hungary's position in the world agricultural sphere. They fail to recognize that Hungary is fighting a losing battle. Hungarian wheat and corn cannot compete with the products of the great agrarian countries on the world markets. Playing a small rôle on a hippodrome stage, she can never advance beyond the status of an "extra-hand." No degree of world agricultural prosperity can alter the situation. Hungary must turn her energies to the specialized production of those commodities in which she has a comparative advantage. A few random possibilities have been pointed out. The transformation can be fostered by government assistance and coöperation. Although at present the government's activity in this field is decidedly retarded by political factors, domestic and foreign, these can be overcome. We shall then be in a position to adopt a more optimistic view regarding the future of Hungary's economic life.

SOME RECENT BOOKS ON INTERNATIONAL RELATIONS

By William L. Langer

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General International Relations

SURVEY OF INTERNATIONAL AFFAIRS, 1930. BY ARNOLD J. TOYNBEE. New York: Oxford University Press, 1931, 614 pp. \$7.00.

Among the topics discussed in this latest volume of the important annual survey issued by the Royal Institute of International Affairs are the naval disarmament conferences, the Palestine embroglio, and the American policy in Latin America.

DOCUMENTS ON INTERNATIONAL AFFAIRS, 1930. BY JOHN W. WHEELER-BENNETT. New York: Oxford University Press, 1931, 276 pp. \$4.00.

A companion volume to the "Survey of International Affairs," giving texts of important agreements and negotiations, also significant speeches and statements of policy.

POLITICAL HANDBOOK OF THE WORLD, 1932. EDITED BY WALTER H. MALLORY. Published for the Council on Foreign Relations. New York: Harpers, 1932, 208 pp. \$2.50.

The year 1931 witnessed significant political changes throughout the world, including five revolutions, more than a score of general elections, and important cabinet shifts in a number of other countries. The results are recorded in the current edition of this valuable handbook, which is revised as of January 1, 1932.

KRIEGSVERHÜTUNG UND SCHULDFRAGE. BY GEORG COHN. Leipzig: Noske, 1931, 200 pp.

A study devoted chiefly to the concept of neutrality before the war, and the prohibition of war in recent international law.

THE UNSEEN ASSASSINS. BY SIR NORMAN ANGELL. New York: Harpers, 1932, 349 pp. \$3.00.

In his latest book this well-known author is concerned less with the discovery and communication of new viewpoints than with stressing our inability or failure to make proper use of existing knowledge in ordering our social relationships. The peoples of the world follow aims and apply policies without realizing that they imply war. These "unseen assassins" must be brought to the ken of the average man before real progress can be made towards peace. The author's problem, then, is primarily an educational one, and his book is an examination of the ways and means by which the dangerous implications of the doctrines of sovereignty, nationalism, etc., can be brought within the range of everyday consciousness. The book is one of the most important of recent months and should be widely read.

INTERNATIONAL RELATIONS. BY R. B. MOWAT. London: Rivington, 1931, 180 pp. 3/6.

A brief popular introduction.

WHAT EUROPEAN AND AMERICAN STUDENTS THINK ON INTERNATIONAL PROBLEMS. BY HEBER R. HARPER. New York: Teachers College, 1931, 268 pp. \$2.50.

A digest of opinion.

L'ENSEIGNEMENT DE L'HISTOIRE ET L'ESPRIT INTERNATIONAL. BY J. L. CLARAPÈDE. Paris: Presses Universitaires, 1931, 105 pp. Fr. 10.

A stimulating essay on the important problem of history instruction as the basis for the development of internationalism.

DIPLOMATISCHES HANDELN. By R. FINGER. Stuttgart: Wirtschaft und Verkehr, 1931, 331 pp. M. 12.

Fifty rules and pointers for the practical diplomat, based on the history of diplomacy during the last thousand years.

LE CHOC DES PATRIOTISMES. By EDMOND PRIVAT. Paris: Alcan, 1931, 180 pp. Fr. 15.

One of the League's experts discusses the conflict of separatist and federalist principles in world politics.

DIE INTRASYSTEMISCHE STELLUNG DES ARTIKELS XI DES VÖLKERBUNDPAKTES. By JOSEF L. KUNZ. Leipzig: Noske, 1931, 143 pp.

A keen analysis of Article XI of the Covenant, which the author regards as crucial for the prevention of war.

THE WORLD COURT, 1921-1931. By MANLEY O. HUDSON. Boston: World Peace Foundation, 1931, 245 pp. \$2.50.

This is the most up-to-date handbook of the Court. The author, an authority on the subject, gives the essential facts of the history of the Court, its composition and working. The bulk of the space is devoted to reviewing all the cases that have come before the tribunal, together with an analysis of the advisory opinions rendered. The book is thoroughly documented throughout, and contains the most important instruments relating to the Court.

THE WORLD COURT. COMPILED BY HELEN M. MULLER. New York: Wilson, 1931, 252 pp. 90¢.

A good reference book, with an admirable bibliography.

NEMZETKÖZI BIRÓSÁGOK HATÁSKÖRE. By BARTHOLOMAUS GEÖCZE. Budapest, 1931, 335 pp.

An important study of the jurisdiction of international tribunals in theory and practice, written by a man who has often represented Hungary in international litigation.

LA RÉFORME DE LA COUR PERMANENTE DE JUSTICE INTERNATIONALE. By PEREIRA DA SILVA. Paris: Sirey, 1931, 251 pp. Fr. 40.

The author discusses chiefly the protocol of 1929 and Cuba's veto.

THE INTERNATIONAL LABOUR ORGANISATION. Boston: World Peace Foundation, 1931, 382 pp. \$3.50.

This account of the organization and work of the Labor Office was written by officials with first-hand knowledge and experience. It is a companion volume to the ten-year survey of the League's work, recently published, and should prove very useful to all those interested in this important phase of international coöperation.

SOLIDARITÄT. By W. MÜNZENBERG. Berlin: Neuer Deutscher Verlag, 1931, 527 pp. M. 6.80.

Another competent survey of the work of the Labor Office during the last decade.

INTERNATIONAL COMMUNICATION. By HERBERT N. SHENTON, EDWARD SAPIR AND OTTO JESPERSEN. London: Kegan Paul, 1931, 120 pp.

A symposium on the problems of an international language.

THE DISARMAMENT CONFERENCE. By W. ARNOLD-FOSTER. London: National Peace Council, 1931, 91 pp. 9d.

A catechism of the facts and issues involved in the conference at Geneva.

DIE RECHTSGRUNDLAGEN FÜR DEUTSCHLANDS RECHT AUF ABRÜSTUNG SEINER VERTRAGSGEGNER. By V. BÖHMERT. Berlin: Ebering, 1931, 59 pp. M. 2.40.

Designed to prove Germany's claim that the Versailles Treaty obligates her former opponents to disarm.

DIE WELTABRÜSTUNG UND DEUTSCHLAND. BY ERICH GŁODKOWSKI. Berlin: Junker und Dünnhaupt, 1932, 60 pp. M. 2.80.

Disarmament as viewed by a German military man.

LE DÉSARMEMENT ET LA POLITIQUE DE BELGRADE. BY LAZARE MARCOVITCH. Paris: Société générale d'Imprimerie, 1931, Fr. 20.

The Yugoslav view, expounded by the Yugoslav delegate to the preparatory conference.

DAS UNTERSEEBOOT. BY ADMIRAL BAUER. Berlin: Mittler, 1931, 144 pp.

The former German commander of the submarine service discusses the naval value, international status and probable future development of this weapon.

LO SPAZIO ATMOSFERICO NEL DIRITTO INTERNAZIONALE. BY G. ENRIQUES. Padua: Cedam, 1931, 182 pp. L. 22.

A technical monograph on the international law of the air.

LA COMMISSION EUROPÉENNE DU DANUBE. ANONYMOUS. Paris: Pedone, 1931, 534 pp. Fr. 300.

An elaborate non-political study of the organization and work of the famous Danube Commission from 1856 to 1931.

DIE FREIZONEN. BY R. GEISMAR. Leipzig: Noske, 1931, 85 pp. M. 5.

This monograph on the free zones deals primarily with the Franco-Swiss dispute.

ENDKAMPF UM DIE REPARATION. BY L. HORWITZ. Leipzig: Historisch-politischer Verlag, 1931, 94 pp. M. 2.20.

A historical survey, with admirable diagrams, stressing the economic effects of the Young Plan on Germany.

DAS TRIBUTPROBLEM UND SEINE LÖSUNG. BY ALBERT VON MÜHLENFELS. Berlin: Junker und Dünnhaupt, 1931, 138 pp. M. 6.

A technical analysis of the reparations tangle, expounding the familiar German view.

International Relations of the United States

THE UNITED STATES IN WORLD AFFAIRS, 1931. BY WALTER LIPPMANN IN COLLABORATION WITH WILLIAM O. SCROGGS. Published for the Council on Foreign Relations. New York: Harpers, 1932, 390 pp. \$3.00.

This important survey of the course of American foreign relations during 1931 is reviewed at length elsewhere in this issue of FOREIGN AFFAIRS.

THEODORE ROOSEVELT. BY HENRY F. PRINGLE. New York: Harcourt, Brace, 1931, 637 pp. \$5.00.

Based upon unpublished Roosevelt papers, this is perhaps the most important biography of the former President now available.

WOODROW WILSON, LIFE AND LETTERS. BY RAY S. BAKER. New York: Doubleday, Doran, 1931, two volumes, \$10.00.

Volumes III and IV of the standard biography, based on the former President's papers. These volumes, covering the period from 1910 to 1914, throw some interesting light on his Mexican policy and on the question of the Panama Canal tolls.

CROWDED YEARS. BY WILLIAM G. McADOO. Boston: Houghton Mifflin, 1931, 552 pp. \$5.00.

Recollections of the former Secretary of the Treasury; an important contribution to the history of the United States in the World War period.

LOOKING FORWARD. BY NICHOLAS MURRAY BUTLER. New York: Scribners, 1932, 418 pp. \$3.00.

In these essays and addresses the president of Columbia University ranges over a wide field of national and international problems, setting forth the internationalist view on such matters as security, patriotism and disarmament.

EMOTIONAL CURRENTS IN AMERICAN HISTORY. BY J. H. DENISON. New York: Scribners, 1932, 420 pp. \$5.00.

An interesting attempt to show how ideas and emotions have swept the American people along in certain channels.

LE PRÉSIDENT HOOVER ET LA POLITIQUE AMÉRICAINE. BY FRANÇOIS DE TESSAN. Paris: Baudinière, 1931, Fr. 12.

A none too friendly estimate of American life and policies.

LE CANCER AMÉRICAIN. BY ROBERT ARON AND ARNAUD DANDIER. Paris: Rieder, 1931, 240 pp. Fr. 15.

The authors regard the Yankee mentality, with all it implies, as the root factor of the world crisis.

L'IMPÉRIALISME ÉCONOMIQUE AMÉRICAIN. BY PIERRE LAURENT. Paris: Sirey, 1931, 252 pp. Fr. 32.

A vigorous indictment of our particular brand of imperialism.

SAM, À VOTRE TOUR, PAYEZ. BY ANDRÉ CHÉRADAME. Paris: Victorion, 1931, Fr. 15.

The well-known French publicist, using American arguments, proves to his own satisfaction that the United States owes France a larger sum than that advanced to France during the war.

LA VIE AMÉRICAINE ET SES LEÇONS. BY MARCEL BRAUNSCHVIG. Paris: Colin, 1931, 384 pp. Fr. 35.

A serious attempt to interpret American life — literary and artistic as well as economic — to the French people.

THE UNITED STATES AND GREAT BRITAIN. BY CARL R. FISH, SIR NORMAN ANGELL AND ADMIRAL CHARLES L. HUSSEY. Chicago: Chicago University Press, 1932, 235 pp. \$1.50.

Essays published under the auspices of the Chicago Council on Foreign Relations. Brief and to the point, they form a convenient symposium.

AMERICAN RELATIONS WITH TURKEY, 1830-1930. BY LELAND J. GORDON. Philadelphia: University of Pennsylvania Press, 1932, 402 pp. \$4.00.

Based in part upon unpublished material, this monograph deals not only with diplomatic relations but stresses the economic and philanthropic aspects of American activities in Turkey.

DOCTRINA DE MONROE Y COOPERACIÓN INTERNACIONAL. BY CAMILO BARCIA TRELLES. Madrid: Compañía General de Artes Gráficas, 1931, 741 pp. Pes. 10.

An exhaustive investigation of the Monroe Doctrine and its place in world affairs.

ESTADOS UNIDOS Y LAS ANTILLAS. BY TULIO M. CESTERO. Madrid: Compañía General de Artes Gráficas, 1931, 232 pp. Pes. 5.

The author makes a systematic study of the American Caribbean policy.

DER AMERIKANISCH-HOLLÄNDISCHE STREIT UM DIE INSEL PALMAS. BY WALTHER FUGLSANG. Berlin: Stilke, 1931, 148 pp. M. 7.

A technical work on the Palmas Island dispute.

TRAILING TRADE A MILLION MILES. BY JAMES A. THOMAS. Durham: Duke University Press, 1931, 314 pp. \$3.50.

Observations of a successful American merchant in the Orient, and a document of real value for the student of American interests abroad.

AMERICAN PARTICIPATION IN THE CHINA CONSORTIUMS. BY FREDERICK V. FIELD. Chicago: Chicago University Press, 1931, 198 pp. \$2.00.

This monograph, published for the Institute of Pacific Relations, shows how, in actual practice, the difficulties of international coöperation present themselves in the economic sphere.

THE AMERICAN TARIFF AND ORIENTAL TRADE. BY PHILIP G. WRIGHT. Chicago: Chicago University Press, 1931, 177 pp. \$2.00.

Another publication of the Institute, valuable as showing scientifically the effects of the tariff in a concrete instance.

INITIATION À LA VIE AUX ÉTATS-UNIS. Paris: Delagrave, 1931, 313 pp.

A coöperative survey of American life published under the auspices of the Comité France-Amérique. It is written by a number of well-known French scholars, including Siegfried, Viallate, Cestre, Roz and others, and is intended to give the Frenchman going to the United States all the information he needs in order to observe intelligently and understand the life about him. The book is extraordinarily well done, and is not over-weighted in the direction of politics. There are excellent chapters on artistic and social life, as well as on all economic aspects of American civilization. One cannot help but contrast a volume like this with the many ill-informed and ill-tempered books on America appearing in France. Americans will read this volume with pleasure and it is to be hoped that it enjoys a wide distribution in France.

The World War

ENGLAND AND THE INTERNATIONAL POLICY OF THE EUROPEAN GREAT POWERS 1871-1914. BY ALFRED F. PRIBRAM. New York: Oxford University Press, 1931, 156 pp. \$3.00.

A series of lectures by the foremost Austrian authority on pre-war diplomacy. They give in succinct form all the essentials of British continental policy in the period between the two great wars.

GERMANY NOT GUILTY IN 1914. BY M. H. COCHRAN. Boston: Stratford Press, 1931, 244 pp. \$2.00.

A competent criticism of Prof. Bernadotte Schmitt's "The Coming of the War."

MEMORIES OF A DIPLOMAT. BY CONSTANTIN DUMBA. Boston: Little, Brown, 1932, 354 pp. \$4.00.

The original German edition of these memoirs of the former Austrian ambassador to Washington has already been listed.

VERDUN. BY RAYMOND POINCARÉ. Paris: Plon, 1931, 355 pp. Fr. 30.

The eighth volume of Poincaré's valuable memoirs covers the year 1916.

DIE JUGOSLAWISCHE FRAGE UND DIE JULIKRISE 1914. BY ERNST ANRICH. Stuttgart: Kohlhammer, 1931, 166 pp.

A reëxamination of the South Slav question and its rôle in Austrian foreign policy before the war.

DIE SCHULD DER ANDEREN UND DER BETRUG VON VERSAILLES. BY HERMANN MÜLLER-BRANDENBURG. Berlin: Schlieffen, 1931, 142 pp. M. 3.

A series of lectures on war guilt and the war guilt clause of the Versailles Treaty.

LE TRIOMPHE DE L'IDÉE. BY GENERAL F. GASCOUIN. Paris: Berger-Levrault, 1931, 264 pp. Fr. 15.

A critique, from the military standpoint, of the factors which decided the course of events in 1914.

TIME STOOD STILL, 1914-1918. By PAUL COHEN-PORTHEIM. New York: Dutton, 1932, 235 pp. \$3.00.

The author of "England, the Unknown Isle" reviews his four years in a British prison camp; a remarkable psychological study.

STRANGE INTELLIGENCE. By HECTOR C. BYWATER AND H. C. FERRABY. New York: Long and Smith, 1931, 308 pp. \$3.00.

An account of the working of the British naval intelligence before and during the war, by former members of the staff.

LES DESSOUS DE L'ESPIONNAGE ALLEMAND. By ROBERT BOUCARD. Paris: Hachette, 1931, 256 pp. Fr. 12.

Another sensational book on espionage. One wonders if things were really like that.

ENDLESS STORY. By TAFFRAIL. London: Hodder and Stoughton, 1931, 451 pp. 21/.

An account of the work of the British destroyer squadrons.

ALBERT, KING OF THE BELGIANS, IN THE GREAT WAR. By LIEUTENANT-GENERAL GALET. London: Putnams, 1931, 341 pp. 25/.

The military adviser of the King reviews the first three months of the war. An important contribution to the story of the Belgian accomplishment and the relations of Belgium with France and England.

FOCH: THE MAN OF ORLEANS. By B. H. LIDDELL HART. London: Eyre and Spottiswoode, 1931, 532 pp. 21/.

A facile British military writer reconsiders the career of the generalissimo, bringing his work into a new perspective.

L'ARMÉE VON KLUCK À LA BATAILLE DE LA MARNE. By LIEUTENANT-COLONEL KOELTZ. Paris: Charles-Lavauzelle, 1931, 240 pp. Fr. 25.

A French military historian retells an exciting story, using the voluminous recent material from the German side.

LA DÉFENSE DE LA POSITION FORTIFIÉE DE NAMUR EN AOÛT 1914. Brussels: Institut Cartographique, 1931, 788 pp. Fr. 80.

A volume of the Belgian official history.

THE FIFTH ARMY. By GENERAL SIR HUBERT GOUGH. London: Hodder and Stoughton, 1931, 355 pp. 25/.

The commander of the army rectifies a number of misapprehensions respecting the great battle of March 1918.

ERLEBEN IM WESTEN, 1916-1918. By GENERAL MAX VON GALLWITZ. Berlin: Mittler, 1932, 531 pp. M. 12.50.

The second volume of the general's reminiscences.

TRANSPORTING THE A.E.F. IN WESTERN EUROPE. By WILLIAM J. WILGUS. New York: Columbia University Press, 1931, 612 pp. \$12.50.

An exhaustive technical study by the former director of military railways of the A.E.F.

WAHRHEIT. FÜRST BÜLOW UND ICH IN ROM, 1914, 1915. By KARL FREIHERR VON MACCHIO. Vienna: Jung Oesterreich Verlag, 1931, 137 pp.

A dispassionate rejoinder to Bülow's accusations, forming an important contribution to the history of Austrian policy in Italy before the latter's entry into the war.

IL PATTO DI LONDRA. By MARIO TOSCANO. Pavia: Treves, 1931, 133 pp.

A scholarly monograph.

DEUTSCHLAND ALS VERBÜNDETER. By KARL VON WERKMANN. Berlin: Verlag für Kulturpolitik, 1931, 350 pp. M. 10.

This volume adds to and corrects our knowledge of the policy of the Emperor Charles.

UNGARN UND DER WELTKRIEG. BY EUGEN HORVÁTH. Budapest: Drachen, 1931, 162 pp. M. 7.50.

An attempt to survey and appraise the sources.

LA VICTOIRE DE MACÉDOINE. BY GENERAL REVOL. Paris: Charles-Lavauzelle, 1931, 136 pp. Fr. 15.

A succinct military study of the campaign.

THE RUSSIAN ARMY IN THE WORLD WAR. BY GENERAL NICHOLAS N. GOLOVINE. New Haven: Yale University Press, 1931, 306 pp. \$3.25.

This volume, in the Carnegie History, discusses the composition of the army, and the munitions supply, food supply, and transport.

THE UNKNOWN WAR. BY WINSTON CHURCHILL. New York: Scribners, 1931, 411 pp. \$5.00.

Churchill has done much, in the various volumes of his memoirs, to leave a living record of the great conflict. In this new book he departs from the terrain which he knew well from personal experience, and enters the field of eastern operations. As he says in his preface, relatively little has been written in English on this phase of the struggle, and its significance has not been fully recognized. For that reason, if for no other, this volume would be very welcome. It is the more so coming from one of the most gifted of contemporary writers. Churchill has gone through much of the foreign literature, and his account is well-informed and properly proportioned. It is certainly the most readable and on the whole the best single book on the campaigns in the East, and takes its place at once among the outstanding books on the war.

ANTANTA I OCTOBRSKAIA REVOLUTSIA. BY A. I. GUKOVSKI. Moscow: 1931, 158 pp.

A popular account of the Allied intervention and its relation to the revolution.

ANGLISKAIA INTERVENTSIA I SEVERNAIA KONTRREVOLUTSIA. BY I. MINK. Moscow, 1931, 256 pp.

A detailed study of the English action in North Russia in 1918.

VON DER WOLGA ZUM AMUR. BY MARGARETE KLANTÉ. Berlin: Ost-europa Verlag, 1931, 346 pp. M. 6.20.

A doctoral dissertation which is of value in bringing some sort of order out of the chaos of conflicting accounts regarding the Czech legions in Siberia.

THE COSTS OF THE WORLD WAR TO THE AMERICAN PEOPLE. BY JOHN M. CLARK. New Haven: Yale University Press, 1931, 328 pp. \$3.50.

A volume in the Carnegie series which should be carefully read.

LE BILAN DE LA GUERRE POUR LA FRANCE. BY CHARLES GIDE AND WILLIAM OUALID. New Haven: Yale University Press, 1931, 370 pp.

This volume, in the same series, surveys the whole cost of the war, moral as well as material, so far as it affected France.

Western Europe

AFTER THE DELUGE. BY LEONARD WOOLF. London: Hogarth, 1931, 15/.

The first volume of a large-scale study of the evolution of political theory in the nineteenth and twentieth centuries. Mr. Woolf deals here, in fascinating style, with the implications of democracy and nationalism.

NOUVELLE HISTOIRE DE L'EUROPE. BY GUSTAVE HERVÉ. Paris: Éditions de la Victoire, 1931, Fr. 12.

An essay stressing the growth of the revolutionary tradition and the danger of a cataclysm unless energetic action is taken by the world's leaders.

INTELLECTUELS, UNISSEZ-VOUS. BY ROGER LEVY. Paris: Rivière, 1931, 237 pp.

An appeal to scholars and teachers for closer coöperation in matters of copyright, bibliography, museums, etc.

CAN EUROPE KEEP THE PEACE? BY FRANK H. SIMONDS. New York: Harpers, 1931, 373 pp. \$3.00.

Stock-taking by a newspaperman of long experience. He discusses the weaknesses of the peace settlement, the outstanding territorial difficulties, the economic motives in the policies of the Powers, and the efforts made in the direction of peace and coöperation. His view of the future is dismal, perhaps too dismal. He is at great pains to avoid being misled by shibboleths and pious hopes. The book deserves wide attention.

THE TERROR IN EUROPE. BY HUBERT H. TILTMAN. New York: Stokes, 1932, 413 pp. \$3.75.

A study of the European dictatorships, especially in Russia, Poland and Italy.

DE LA PATRIE ET DU PATRIOTISME. BY PAUL MIQUEL. Paris: Figuière, 1931, 288 pp. Fr. 20.

An honest effort to reconcile the ideas of patriotism and human brotherhood.

DICTATEURS ET DICTATURES DE L'APRÈS-GUERRE. BY COUNT SFORZA. Paris: Gallimard, 1932, 272 pp. Fr. 15.

The French translation of Count Sforza's "EUROPEAN DICTATORSHIPS" contains new material concerning what the author calls "the financial bluff" of the Fascist régime.

DER GROSSE ZUKUNFTSKRIEG. BY FRIEDRICH IMMANUEL. Berlin: Offene Worte, 1932, 164 pp. M. 4.

A realistic military view of the "impending" conflict.

LA PAIX EN PERIL. BY JACQUES KAYSER. Paris: Nouvelle Revue Française, 1931, Fr. 15.

The vice-president of the Radical Socialist Party foresees the danger of war emerging from the economic crisis, and calls for cancellation of debts, revision of the treaties, and disarmament.

QUAND ON VEUT LA PAIX. BY LIEUTENANT-COLONEL EUGÈNE LABROSSE. Paris: Éditions de la Jeune Académie, 1931, 330 pp. Fr. 20.

"Paix humaine" can be attained only on the basis of present nations, free and strong.

L'UNIFICAZIONE ECONOMICA DELL'EUROPA. BY L. DE NOVELLIS. Milan: Treves, 1931, 304 pp. L. 20.

A scholarly study of the projects put forward for the economic union of Europe.

L'ÉQUILIBRE DES CONTINENTS. BY MARIANO CORNÉJO. Paris: Alcan, 1931, 240 pp. Fr. 15.

World politics from a viewpoint far removed from that of Geneva.

GRANDEUR ET SERVITUDE COLONIALES. BY A. SARRAUT. Paris: Éditions du Sagittaire, 1931, Fr. 20.

An important book on general colonial policy, written by a former French colonial minister, who calls upon Europe to protect her colonial heritage from the assaults to which it is exposed in the form of national movements.

WELTKRISE UND KOLONIALPOLITIK. BY A. DIX. Berlin: Neff, 1931, 347 pp. M. 6.80.

Germany's urgent need for colonies if she is again to become a good customer in world trade.

NATIONALITÄTEN IN DEN STAATEN EUROPAS. BY EWALD AMMENDE. Vienna: Braumüller, 1931, 568 pp. M. 18.

An impressive collection of reports by representatives of all the European minorities, published for the European Congress of Nationalities.

WAR AND DIPLOMACY IN THE FRENCH REPUBLIC. BY **FREDERICK L. SCHUMAN.** New York: McGraw-Hill, 1931, 469 pp. \$4.00.

The purpose of this volume, as defined in the preface, is to give a "behavioristic account of all those patterns of social action which underlie French foreign policy and which have their counterparts in the foreign policies of all other Great Powers." The book is to be one of a series of studies of European diplomacy, with special reference to the causes of war. While devoting a large part of his book to an investigation of French action in a number of major issues and crises, the author goes beyond the usual diplomatic narrative and devotes many chapters to the governance of foreign relations and the mechanism of French diplomacy, as well as to what he calls the "dynamics" of foreign policy, that is, the rôle of parliament, the press and patriotic associations.

JOSEPH CAILLAUX. BY **GASTON-MARTIN.** Paris: Alcan, 1931, 208 pp. Fr. 15.

Though written by a friend of Caillaux, this book is the work of an historian.

LÉON BOURGEOIS. BY **MAURICE HAMBURGER.** Paris: Rivière, 1931, 272 pp. Fr. 12.

A good biography of a leading French advocate of international coöperation.

DER RATTENFÄNGER VON EUROPA. BY **A. PERSPICAX.** Berlin: Brunnen Verlag, 1931, 109 pp. M. 2.80.

Briand deflated.

PIERRE LAVAL. BY **MAURICE PRIVAT.** Paris: Hachette, 1931, Fr. 12.

A popular sketch of the career of the French statesman.

DE SEDAN À LOCARNO. BY **LUCIEN SOUCHON.** Paris: Fayard, 1931, 322 pp.

Locarno pictured as the fatal step on the road to another Sedan.

ESQUISSE DES PROBLÈMES FRANCO-ALLEMANDS. BY **BERNARD LAVERGE.** Paris: Gamber, 1931, 124 pp. Fr. 15.

The author warmly advocates economic collaboration.

THE FRENCH COLONIAL ADVENTURE. BY **CONSTANT SOUTHWORTH.** London: King, 1931, 216 pp. 12/6.

The author comes to the conclusion that the French colonies have not proved a paying proposition.

THE BIRTH OF THE GERMAN REPUBLIC. BY **ARTHUR ROSENBERG.** New York: Oxford University Press, 1931, 294 pp. \$4.75.

The German original of this competent essay has already been noted.

VON VERSAILLES BIS ZUR GEGENWART. BY **ALBERT STRÖHLE.** Berlin: Zentralverlag, 1931, 118 pp. M. 1.80.

A concise account of the Treaty and its effects, supplied with numerous diagrams.

DER AUSWÄRTIGE DIENST DES DEUTSCHEN REICHES. BY **HERBERT KRAUS.** Berlin: Stilke, 1932, 1216 pp. M. 55.

An elaborate account of the German foreign service, published by the German Foreign Office.

HINDENBURG. BY **ALFRED NIEMANN.** Leipzig: Koehler, 1931, 229 pp. M. 2.85.

A sympathetic biography, written by a leading protagonist of the monarchy.

AUF DIE BARIKADEN? BY **FRITZ KERN.** Hamburg: Hanseatische Verlagsanstalt, 1931, 116 pp.

The editor of a leading German paper reviews the personalities and currents of modern Germany and urges a European policy to render a revolution unnecessary.

DER NATIONALSOZIALISMUS. BY WALTHER SCHEUMANN. Berlin: Der Neue Geist, 1931, 143 pp. M. 3.

One of the best brief accounts of the Hitler movement.

DEUTSCHLAND ERWACHE! BY ERNST OTT WALDT. Leipzig: Hess, 1932, 392 pp. M. 6.

A partisan history of the same movement.

DEUTSCHLAND UND EUROPA. BY HERMANN STEGEMANN. Berlin: Deutsche Verlagsanstalt, 1932, 448 pp. M. 9.60.

A study of the German problem in its European setting, by a leading political writer.

LE PROBLÈME COLONIAL ALLEMAND. BY CAPITAINE SALESSE. Paris: Charles-Lavauzelle, 1931, 130 pp. Fr. 12.

The familiar French argument against the return of colonies to Germany.

EVERY INCH A KING. BY PRINCESS PILAR OF BAVARIA AND DESMOND CHAPMAN-HUSTON. New York: Dutton, 1931, 485 pp. \$5.00.

Though written by a relative of the King and designed to exonerate him, this biography of Alfonso XIII is a serious book that repays reading.

UN CRIMEN DE LESA PATRIA. BY HERNÁNDEZ MIR. Madrid: Compañía general de Artes Gráficas, 1931, 360 pp. Pes. 6.

The verdict of history on the dictatorship, as predicted by a Spanish liberal.

LA REVOLUCIÓN ESPAÑOLA. BY RODRIGO SORIANO. Madrid: Claridad, 1931, 244 pp. Pes. 4.

A general account of the recent overturn.

MARCHE, ESPAGNE. BY PIERRE DOMINIQUE. Paris: Valois, 1931, 288 pp. Fr. 15.

This is what the French call an "enquête," that is a survey of the present state of affairs in Spain.

LA JORNADA HISTÓRICA DE BARCELONA. BY JOSÉ GAYA PICÓN. Madrid: Castro, 1931, 123 pp. Pes. 1.

The author discusses the problem of autonomy as against centralization, and reviews the Catalan negotiations with Madrid.

THE MAKERS OF MODERN ITALY. BY SIR J. A. R. MARRIOTT. New York: Oxford University Press, 1931, 228 pp. \$3.50.

An entirely rewritten edition of a famous book; an excellent brief history of Italy from Napoleon to Mussolini.

MUSSOLINI. BY SIR CHARLES PETRIE. London: Holme, 1931, 186 pp. 5/.

A popular sketch, written with sympathy.

LES DEUX ROME ET L'OPINION FRANÇAISE. BY J. GAY. Paris: Alcan, 1931, 248 pp. Fr. 30.

A review of Franco-Italian relations since 1915, with special reference to the French attitude in the Papal question.

CIUDAD DEL VATICANO E LA CUESTIÓN ROMANA. BY PEDRO VOLTAS. Madrid: Corazón de María, 1931, 163 pp. Pes. 4.

A Spanish view of the settlement of the Roman question.

VISIONI MEDITERRANEE. BY G. SCIUTI. Catania: Etna, 1932, 115 pp. L. 5.

The Mediterranean problem as viewed from Rome.

LA POLÍTICA DEL MEDITERRÁNEO EN LA POSTGUERRA. BY FERNANDO ALBI. Valencia: Quiles, 1931, 224 pp. Pes. 6.

An historical study of the evolution of Mediterranean questions from 1918 to 1928.

IN DIFESA DELLA CIVILTÀ ITALIANA A MALTA. Livorno: Guisti, 1931, 147 pp. L. 7.

A collection of articles published in the organ of the National Maltese Party.

Eastern Europe

LES PROBLÈMES DE L'EST ET LA PETITE ENTENTE. BY EMMANUEL MALYNSKI. Paris: Cervantes, 1931, 560 pp.

A defense of the Polish régime, with special reference to the problem of warding off Bolshevism.

DIE NACHFOLGESTAATEN UND IHRE WIRTSCHAFTLICHEN KRÄFTE. BY GERHARD SCHACHER. Stuttgart: Enke, 1932, 286 pp. M. 13.20.

The author, who has already written an excellent book on the economic resources of the Balkan states, here surveys Austria, Hungary and Czechoslovakia.

MITTEL UND SÜDOST-EUROPÄISCHE WIRTSCHAFTSFRAGEN. EDITED BY H. GROSS. Leipzig: Böttger, 1931, 183 pp. M. 8.50.

A series of essays on the economic life of the Balkans and Turkey.

CHARLES I, EMPEREUR D'AUTRICHE, ROI DE HONGRIE. BY JÉRÔME TROUD. Paris: Plon, 1931, 244 pp.

Really a plea for the restoration of the unity of the Hapsburg dominions.

DAS TSCHESCHOSLOWAKISCHE NATIONALITÄTENRECHT. BY EMIL SOBOTA. Prag: Orbis, 1931, 461 pp.

The German translation of a complete collection of documentary material bearing on the nationalities laws of Czechoslovakia.

SLOVAKIA, THEN AND NOW. EDITED BY R. W. SETON-WATSON. London: Allen and Unwin, 1931, 356 pp. 12/6.

The most complete survey of Slovakian affairs yet published in a western language. The general discussion by Seton-Watson is followed by statements from twenty-five Slovak experts, and the whole goes to show that conditions are vastly improved and generally satisfactory.

ZUM EWIGEN FRIEDEN. BY ALEXANDER SZANA. Bratislava: Grenzbote, 1931, 167 pp.

An historical survey of Slovakia's struggle for freedom.

DAS IST POLEN. BY F. W. VON OERTZEN. Munich: Müller, 1932, 241 pp. M. 4.

The evolution of the new Poland as seen by a not too friendly German.

TOUR D'HORIZON. BY COMTE LADISLAS SOBANSKI. Paris: Gebethner and Wolff, 1931, 123 pp. Fr. 9.

The European scene viewed from Warsaw.

LA LITHUANIE PENDANT LA CONFÉRENCE DE LA PAIX. BY HENRY DE CHAMBON. Paris: Mercure Universel, 1931, 185 pp. Fr. 20.

This account of Lithuania's resurrection is written by the editor of the *Revue Parlementaire* and is based upon his own papers.

NATIONALISM IN MODERN FINLAND. BY JOHN H. WUORINEN. New York: Columbia University Press, 1931, 312 pp. \$3.75.

Nothing just like this contribution to the history of modern nationalism has appeared in any western language. The author has made available a mass of material, unpublished and published, in Finnish and Swedish.

STALIN. BY STEPHEN GRAHAM. London: Benn, 1931, 148 pp. 6/.

A straightforward narrative of the conventional kind adding little that is new.

BOLSHEVISM IN PERSPECTIVE. BY J. DE V. LODER. London: Allen and Unwin, 1931, 256 pp. 12/6.

A study of the historical evolution of Bolshevism, with some consideration of its probable future development.

DER BOLSCHEWISMUS. BY WALDEMAR GURIAN. Freiburg: Herder, 1931, 337 pp. M. 6.80.

A comparison of Bolshevik theory and practice, political, economic and social.

THE CONSCRIPTION OF A PEOPLE. BY KATHARINE, DUCHESS OF ATHOLL. New York: Columbia University Press, 1931, 216 pp. \$2.50.

This study, based on Russian and British government documents and on the testimony of refugees, makes out a strong case against the Bolshevik policy of drafting labor for the timber camps and industry, mines and railroads, the whole amounting to a system of slavery.

DER STAAT OHNE ARBEITSLOSE. BY ERNST GLAESER AND FRANZ WEISKOPF. Berlin: Kiepenheuer, 1931, 198 pp. M. 4.50.

A richly illustrated survey of the working of the Five Year Plan.

DING GOES TO RUSSIA. BY JAY N. DARLING. New York: McGraw-Hill, 1932, 204 pp. \$2.50.

Keen observations of a well-known American cartoonist, with some clever sketches.

NEW MINDS: NEW MEN? BY THOMAS WOODY. New York: Macmillan, 1932, 528 pp. \$4.00.

A well-documented study of the Bolshevik educational system, based upon many months of careful investigation.

DER MENSCH WIRD UMGEBAUT. BY ARTHUR RUNDT. Berlin: Rowohlt, 1932, 198 pp. M. 4.80.

An analysis of the effects of the Bolshevik system upon the individual.

RUSSIA AND OURSELVES. BY VIDKUN QUISLING. London: Hodder and Stoughton, 1931, 284 pp. 7/6.

The Norwegian Minister of Defense, who has spent much of his time since 1917 in Russia, calls for a Scandinavian-British union for resistance to Bolshevism.

ORIENT SOVIÉTIQUE. BY LYDIA BACH. Paris: Valois, 1931, 300 pp. Fr. 15.

A competent French writer pictures the renaissance of Central Asia under Soviet rule.

LE PROBLÈME DE L'INDÉPENDANCE DE L'UKRAINE ET LA FRANCE. BY E. EVAÏN. Paris: Alcan, 1931, 136 pp. Fr. 10.

A history of the question by a French deputy.

LA RÉCONSTRUCTION ÉCONOMIQUE ET FINANCIÈRE DE LA ROUMANIE. BY F. MANOLIOU. Paris: Gamber, 1931, 304 pp. Fr. 40.

A volume dealing chiefly with the attitude of the Rumanian parties toward reconstruction problems.

AUS DEN KÄMPFEN UM DEN SELSTÄNDIGEN STAAT KROATIEN. BY ANTE PAVELIČ. Vienna: Hölzl, 1931, 127 pp. M. 3.

Pictures and documents of the Croatian struggle.

ANNUAIRE DE L'ASSOCIATION YUGOSLAVE DE DROIT INTERNATIONAL. Paris: Editions Internationales. 1931. 445 pp.

A new year-book containing interesting papers by Yugoslav authorities on international law, with a list of treaties signed by Yugoslavia 1919-29 and a useful bibliography.

BANDITS D'ORIENT. BY JEAN PERRIGAULT. Paris: Valois, 1931, Fr. 12.

Highly-colored revelations of the activities of the Macedonian revolutionary committees.

DIE MAKEDONISCHE FRAGE. BY WALTER JACOB. Berlin: Beltz, 1931, 57 pp. M. 4.80.

A geographical approach to an old problem.

MODERN GREECE. BY JOHN MAVROGORDATO. New York: Macmillan, 1931, 251 pp. \$3.00.

A good introduction to the history of modern Greece, with emphasis on the war and post-war periods.

LE ISOLE ITALIANE DELL'EGEO. BY A. DESIO. Rome: Libreria dello Stato, 1931, 534 pp. L. 45.

An elaborate and richly illustrated descriptive work.

The British Commonwealth of Nations

THE NEW BRITISH EMPIRE. BY WILLIAM Y. ELLIOTT. New York: McGraw-Hill, 1932, 519 pp. \$5.00.

A book which will be welcome to many who have found it impossible to keep track of the rapidly changing relationships between different parts of the British Empire. The book is distinguished by breadth of view as well as by being well grounded as to facts. Economic, religious and cultural factors are given full consideration, and the author succeeds in rising above the mere data to some very interesting judgments of the British system and its place in the general international scene.

NATIONAL SOVEREIGNTY AND JUDICIAL AUTONOMY IN THE BRITISH COMMONWEALTH OF NATIONS. BY HECTOR HUGHES. London: King, 1931, 184 pp. 9/.

A technical investigation of the position of the dominions in the judicial sphere.

VACANT THRONES. BY SIR IAN MALCOLM. London: Macmillan, 1931, 220 pp. 10/6.

Attractive pen pictures of British statesmen of the past forty years, based chiefly on personal reminiscences and impressions.

THE ELEMENTS OF IMPERIAL DEFENCE. BY A. G. BOYCOTT. London: Gale, 1931, 402 pp. 12/6.

The author examines the available material resources of the empire, the problem of communications and the ways of coördinating action.

GANDHI: THE DAWN OF INDIAN FREEDOM. BY JACK C. WINSLOW AND VERRIER ELWIN. New York: Revell, 1931, 224 pp. \$1.50.

Two missionaries give a sympathetic account of Gandhi and his teaching.

MODERN INDIA. EDITED BY SIR JOHN CUMMING. New York: Oxford University Press, 1931, 310 pp. \$1.50.

Valuable essays on all aspects of the Indian situation, written by English experts.

NATIONHOOD FOR INDIA. BY LORD MESTON. New York: Oxford University Press, 1931, 120 pp. \$1.50.

Lectures delivered at Williamstown by a former Indian official.

REBEL INDIA. BY HARRY N. BRAILSFORD. New York: The New Republic, 1931, 274 pp. \$1.00.

A socialist's observations in Northern India, betraying a strong leaning to the nationalist cause.

INDIEN KÄMPFT. BY W. BOSSHARD. Stuttgart: Strecker and Schröder, 1931, 290 pp. M. 9.50.

Penetrating travel observations made during 1930.

The Near East

L'ISLAM ET LA NATIONALITÉ. BY JEAN S. SABA. Paris: Chauny and Quinsac, 1931, 166 pp. Fr. 25.

A keen analysis of the difficulties in the way of nationalism in Islamic countries.

DER VORDERE ORIENT. Königsberg: Gräfe and Unzer, 1931, 140 pp.

A collection of lectures by authorities, including Bergsträsser, Hartmann and Lohr.
SYRIE ET PALESTINE. BY PAUL PIC. Paris: Champion, 1931, Fr. 20.

The author is concerned primarily with the development of nationalism in Syria and the reaction against Zionism in Palestine.

ENGLAND IN PALESTINE. BY NORMAN BENTWICH. London: Kegan Paul, 1932, 358 pp. 12/6.

An accounting of the British stewardship by a man who was for years a high official in the administration.

VINGT ANNÉES D'ÉGYPTÉ. BY BARON FIRMIN VAN DEN BOSCH. Paris: Perrin, 1931, Fr. 15.

The experiences of an official, dealing primarily with the post-war period, and touching Syria and Palestine as well as Egypt.

ÉTUDES JURIDIQUES DU PROBLÈME DE L'ÉGYPTÉ. BY I. SALEH HUSSEIN. Paris: Lac, 1931, 326 pp. Fr. 40.

A legal study of the position of Egypt in its relations with England.

SITUATION INTERNATIONALE DU SOUDAN ÉGYPTIEN. BY E. ROUARD DE CARD. Paris: Pedone, 1931, 80 pp. Fr. 18.

A compilation of facts and documents by a French authority on things African.

Africa

THE REMAKING OF MAN IN AFRICA. BY J. H. OLDHAM AND B. D. GIBSON. New York: Oxford University Press, 1931, 185 pp. \$1.25.

A stimulating discussion of the native problem.

LYAUTEY OF MOROCCO. BY SONIA E. HOWE. London: Hodder and Stoughton, 1931, 338 pp. 20/.

An authorized study which gives a reliable account of Lyautey's career, but lacks the charm of the Maurois biography.

LE MAROC. BY AUGUST TERRIER. Paris: Larousse, 1931, 224 pp. Fr. 30.

A beautifully illustrated descriptive work, written by a French colonial authority.

A LAST CHANCE IN KENYA. BY NORMAN LEYS. London: Hogarth, 1931, 173 pp. 8/6.

A new examination of the system of land and labor in Kenya, by a leading pleader of native claims.

The Far East

FAR EASTERN INTERNATIONAL RELATIONS. BY HOSEA B. MORSE AND HARLEY F. MACNAIR. Boston: Houghton, Mifflin, 1931, 846 pp. \$6.00.

A valuable general text, supplied with an extensive bibliography.

ÉVOLUTION DES RÉLATIONS DIPLOMATIQUES DE LA CHINE AVEC LES PUISSANCES, 1587-1929. BY TCHAO TCHUN TCHEOU. Paris: Pedone, 1931, 208 pp. Fr. 25.

A brief survey of the foreign relations of China.

LA CHINE ET LE DROIT INTERNATIONAL. BY JEAN ESCARRA. Paris: Pedone, 1931, 419 pp. Fr. 80.

An elaborate treatise by a French professor long a counsellor of the Chinese Government.

CHINA. BY OTTO MÄNCHEN-HELFEN. Dresden: Kaden, 1931, 232 pp. M. 5.

A study of the social structure and the class struggle.

LA FRANCE À KOUANG TCHÉOU WAN. BY ALFRED BONNINGUE. Paris: Berger-Levrault, 1931, 72 pp. Fr. 8.

A compact study of the history of the French leased territory.

JAPAN. BY INAZO OTA NITOBÉ. New York: Scribners, 1931, 398 pp. \$5.00.

One of the excellent volumes of the "Modern World" series, giving an historical background as well as a general survey of Japanese life and conditions.

JAPAN: A SHORT CULTURAL HISTORY. BY GEORGE B. SANSOM. New York: Century, 1931, 553 pp. \$7.50.

A book that will fill a distinct need, by a member of the British Embassy at Tokio.

WESTERN INFLUENCES IN MODERN JAPAN.. BY INAZO NITOBÉ AND OTHERS. Chicago: Chicago University Press, 1931, 544 pp. \$4.00.

A coöperative survey of Japanese life, written by experts.

LE CONFLIT SINO-JAPONAIS. ANONYMOUS. Paris: Nachbaur, 1931, Fr. 15.

The author deals chiefly with Japanese railway policy in Manchuria and Mongolia.

COLONIAL POLICY. BY A. DE KAT ANGELINO. Chicago: Chicago University Press, 1931, two volumes, \$15.00.

The first volume of this impressive work is concerned with the general principles of colonial administration; the second deals with the Dutch system in the East Indies.

VAN OVERHEERSCHING NAAR ZELFREGEERING. BY SOCRATO NOTO. S'Gravenhage: Adi Poestaka, 1931, 160 pp.

An Indonesian leader, educated in Holland, examines the basis for eventual self-government in the East Indies.

L'INDOCHINE. BY ALBERT MAYBON. Paris: Larose, 1931, 198 pp. Fr. 20.

A descriptive work called forth by the recent colonial exhibition.

Latin America

HAITI UNDER AMERICAN CONTROL. BY ARTHUR C. MILLSPAUGH. Boston: World Peace Foundation, 1931, 266 pp. \$2.50.

A well-documented study of the evolution of the Haitian situation between 1915 and 1930, written by the former financial adviser-general of Haiti.

IN THE WEST INDIES. BY JOHN C. VAN DYKE. Chicago: Chicago University Press, 1932, 211 pp. \$2.00.

Travel impressions, with some interesting sidelights on political conditions.

MILITARY GOVERNMENT IN THE PANAMA CANAL ZONE. BY HARRY N. HOWARD. Norman: University of Oklahoma Press, 1931, 62 pp. 50¢.

A mere outline, but well-documented and impartial.

COLOMBIA Y LOS ESTADOS UNIDOS. COLOMBIA, VENEZUELA, COSTA RICA, ECUADOR, BRASIL, NICARAGUA Y PANAMA. COLOMBIA Y EL PERU. BY ANTONIO J. URIBE. Bogota: Minerva, 1931.

These three volumes, parts of a doctoral dissertation, cover the whole range of Colombia's international relations and form an important contribution to the literature of Latin American diplomacy.

MONETARY INFLATION IN CHILE. BY FRANK W. FETTER. Princeton: Princeton University Press, 1931, 226 pp. \$2.50.

Though this is essentially a financial study, the author does not leave out of account the political background, so that the book should have considerable interest for all students of Latin American affairs.

SOURCE MATERIAL

By Denys P. Myers

PUBLIC DOCUMENTS OFFICIALLY PRINTED

Documents may be procured from the following: *United States*: Gov't Printing Office, Superintendent of Documents, Washington, D. C. *Great Britain*: British Library of Information, 270 Madison Ave., New York. *France*: Gerda M. Anderson, 12 Ave. Ernest Reyer, Paris XIV^e. *League of Nations, Int. Labor Office, Perm. Court of Int. Justice and International Institute of Agriculture*: World Peace Foundation, 40 Mt. Vernon St., Boston. Washington imprints are Government Printing Office and London imprints are His Majesty's Stationery Office, unless otherwise noted. Since 1928 a list of national Government documents has been printed in the *Monthly list of Books catalogued in the Library of the League of Nations*.

AIR COMMUNICATION

AIR NAVIGATION. Arrangement between the United States of America and Italy. Effected by Exchange of Notes Signed October 13 and 14, 1931. Effective October 31, 1931. Washington, 1931. 11 p. 23¼ cm. (Executive Agreement Series No. 24.) 5 cents.

REGULATIONS to Govern Air Navigation in the Canal Zone. Promulgated by the Secretary of State, September 22, 1931. Washington, 1931. 36 p. 23¼ cm. (Publications of the Department of State, No. 249.) 10 cents.

INTERNATIONAL TECHNICAL Committee of Aërial Legal Experts. Message from the President of the United States transmitting a Report from the Secretary of State relative to an Annual Appropriation Amounting to \$5,750 for the Purpose of Defraying the Expenses of Participation of the United States in the Meeting of the International Technical Committee of Aërial Legal Experts. Washington, 1932. 6 p. 23 cm. (Doc. No. 33, 72d Cong. 1st sess.)

ARBITRATION AND CLAIMS

ARBITRATION of Claims Growing out of the Alleged Detention of the Motorships "Kron-prins Gustaf Adolf" and "Pacific." Special Agreement between the United States of America and Sweden. Signed at Washington, December 17, 1930. Washington, 1931. 4 p. 23¼ cm. (Treaty Series, No. 841.) 5 cents.

CLAIMS. Convention between the United States of America and Panama. Signed at Washington, July 28, 1926. Washington, 1931. 9 p. 23¼ cm. (Treaty Series, No. 842.) 5 cents.

OPINIONS of Commissioners under the Convention Concluded September 8, 1923, as Extended by Subsequent Conventions, between the United States and Mexico. October, 1930, to July, 1931. Washington, 1931. 291 p. 23¼ cm.

THE AMERICAN COMMISSIONER, Mixed Claims Commission, United States and Germany. Decisions Nos. 71-75 . . . in the matter of Fixing Reasonable Fees for Attorneys or Agents Under the Authority of Section 9 of the "Settlement of War Claims Act of 1928." Washington, 1931. p. 463-497. 23 cm.

ARMAMENTS

ARMAMENTS Truce (Including replies from Governments). Geneva, 1931. 20 p. 33 cm. (League of Nations, C. 919. M. 484. 1931. IX. 40.)

CONFERENCE for the Reduction and Limitation of Armaments. Armaments Year-Book. Special Edition. General and Statistical Information in regard to Land, Naval and Air Armaments. Geneva, 1932. 474 p. 24 cm. (League of Nations, C. 754. M. 352. 1931. IX. 1.)

———. **DRAFT** Rules of Procedure. Geneva, 1931. 3 p. 33 cm. (League of Nations, C. 1002. M. 558. 1931. IX. 42.)

PARTICULARS with Regard to the Position of Armaments in the Various Countries. 3. Communication from the French Government. Memorandum of July 15th, 1931, and Annexes (Complementary Numerical Data). Geneva, 1931. 27 p. 33 cm. (League of Nations, C. 440 (1). M. 187 (1). 1931. IX. 9.)

———. 4. Communication from the British Government. Geneva, 1931. 54 p. 33 cm. (League of Nations, C. 476. M. 203. 1931. IX. 10.)

———. 7. Communication from the Swedish Government. Geneva, 1931. 11 p. 33 cm. (League of Nations, C. 541. M. 224. 1931. IX. 13.)

———. 8. Communication from the Austrian Government. Geneva, 1931. 3 p. 33 cm. (League of Nations, C. 549 (1). M. 225 (1). 1931. IX. 14.)

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- ANNOTATED Bibliography on Disarmament and Military Questions. Geneva, League of Nations Library, 1931. 163 p. 22 cm. 50 cents.

BOLIVIA — PARAGUAY

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CARTELS

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